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EEC Head Urges U.S. to Be More Sensitive To Economic, Political Problems of Allies

International Herald Tribune
BRUSSELS — The president of the European Commission Gaston Thorn, has warned that U.S. insensitivity to European economic and political dilemmas threatens to undermine the Reagan administration's at-tempts to reinforce Western security.

"There is no tension yet in European relations with the United States [because] the Reagan administration is enjoying a kind of political honeymoon with Eu-ropean opinion," he said in an interview. "But there is anxiety. People are anxiously asking: When do you think the Reagan administration will start adapting its policies to help us? By Christmas? By next Easter?"

Mr. Thorn, who is to meet President Reagan next week, said that European leaders need signals that Washington eventually will help relieve European economies from the unfavorable effect of such new U.S. policies as high interest rates, reduced development aid and restrictions on trade with the Soviet Union.

His appeal for greater U.S. understanding, he said, reflected many European leaders' thoughts at a Common Market summit last week, which discussed the Ottawa summit of in-

By John Vinocur

New York Times Service

azine ad costing \$11,898 and it said, right in the first paragraph: "Almost nothing that is sold or used in our restaurants comes from

America.

BONN — It was a full-page national mag-

The advertisers insisted in the same first

paragraph that their enterprise was German,

and figured out how to use the word four

times again in the next two lines: German

dustrial nations set for July 20 and 21. While striving to follow the Reagan administration and avoid the transatlantic bickering that marked the Carter administration, European leaders now face domestic criticism because of perceived U.S. indifference to

Europe's problems.
"The climate of Ottawa will be important. No one expects miracles or big decisions, but we want a sign that the Reagan administration is starting to accept our grievances as legitimate and ready to take our problems into account as soon as it can," Mr. Thorn said.

Large segments of European opinion, already divided over the more confrontational U.S. approach to the Soviet Union, is upset by the Reagan administration's unwillingness to compro-mise the ideology of its own domestic recovery program by talking about international economic measures that could revive

U.S. officials, in urging an ex-panded European military effort, may have underestimated the linkage in European politics between economic stability and the military and political compo-

nents of national security. Slowing his usual machinegun delivery to emphasize each word, Mr. Thorn said: "Believe me, when a European asks himself if he can still trust U.S. security guarantees, economic solidarity is the main test of credi-

In contrast, Mr. Thorn said. There is an American way of saying, 'Now let's talk about defense — assuming that economic questions will be solved automatically by the free market. ... Americans must understand that, whatever they do in the United States, it will be never be

possible in Europe for politi-cians to dissociate defense from economic security. It's not just a bargaining point, it's fundamen-tal for Washington to understand that Europe cannot separate defense, political and eco-

Ravages of Interest Rates

For example, the key topics on the Ottawa agenda — North-South dialogue, East-West trade, Japan's trade role and cooperation among industrial nations — have overwhelming economic dimensions for Europe. But the United States, a continent-sized market with its own resource base, tends to treat these questions as ideological issues.

"Exaggerating a little, you can argue that the United States, one, won't belp us revive Third World markets for our exports: two, doesn't want to help force open the Japanese market for

West German Anti-Americanism: The Gulf May Be Deep

Abolhassan Bani-Sadr

spending his time at the war front, thus losing the most important po-

litical commodity in Iran, regular

"Imam has no direct contact

contact with Ayatollah Khomeini.

with the real life of the country,"

Mr. Bani-Sadr was quoted as say-ing. "Others inform him about the course of things. That's why his verdicts and judgments often do

not conform with the reality of the

"The situation began to deter-iorate with the beginning of the

war and my transfer to the conflict

area. Others informed Khomeini

that I was far from Tehran, and

my meetings with him were re-

lah Beheshti and his supporters
"started to plot a black and reac-

tionary coup to impose a way of

governing society completely dif-

ferent from my own approach.
"But even though I knew their

plans, I preferred to give priority to the fight against the external en-emy," the magazine quoted the

former president as saying. Mr.

Bani-Sadr, the magazine said,

called on Iranians "to resist in eve-

ble of opposing the Pahlavi dicia-

torship are also capable of fighting

those now using illegal methods to obtain power in Iran," be told the

"I am confident that those capa-

ry way and at all times."

Mr. Bani-Sadr said that Ayatol-

European products; three, scolds us for traling with the Soviet bloc while selling there them-selves — grain, for instance," Mr. Thorn said.

In addition, high U.S. interest rates - the Reagan administration's preferred way of purging inflation from the domestic economy — has drained investment capital from Europe and driven up dollar rates, thus increasing the fuel and debt-ser-vice bills of developing countries that are major markets for European exports. As a result, European industries have been unable to expand.

Amid the worst postwar economic crisis, he continued, "the United States generally seems to be saying, 'Wait until Uncle Sam is better, then we can look after your [European] sickness — if you're still around to take the medicine.' I think our patience

 some would call it weakness - is proof of our profound friendship for the United States. This capital of U.S.-European friendship hasn't been eroded yet, but we need to find a basis now for the period ahead."

Mr. Thora, who is advocate of close transatlantic ties, warned that opponents of the Atlantic alliance are exploiting the European perception that the United States is indifferent to Europe's



Gaston Thorn

Against a European back-ground of falling incomes and unemployment rising to socially traumatic levels, he said, "Voices in our wide political spectrum are saying more and more loudly: 'You're unemployed because of the Americans: you have no job because the United States is strengthening its economy so it can be richer and stronger - at your expense."

He warned about rising political instability: "Our people are uncertain, and for that reason. they are starting to vote 'against' - against the government, what-ever it is, to seek change." Without mentioning countries by name. Mr. Thorn said the risk was growing that economic motives would plunge some European countries toward political

Alliance 'Unbreakable,' Poland Tells Gromyko From Agency Dispatches MOSCOW -- Soviet Foreign from the security and inviolability Minister Andrei A. Gromyko reof its borders," the communique

turned Sunday from talks in Warsaw with a new pledge from Po-land's Communist leaders to maintain their alliance with the Soviet Union, Tass said.

The sides have confirmed that the unbreakable alliance, fraternal friendship and cooperation ... fully meet the vital interests of the Soviet and Polish peoples," said the statement issued at the end of Mr. Gromyko's weekend visit.

The statement, distributed by Tass, said both countries would continue to extend bilateral relations in line with the Soviet-Polish treaty of friendship and coopera-

Mr. Gromyko's three-day visit for talks with Polish Communist Party leader Stanislaw Kania apparently focused on strategy for the special Communist Party congress scheduled to begin July 14 to discuss major reforms in the Polish

system.

The statement repeated Moscow's assertions that "certain Western circles" were intensifying a campaign "to exploit events" and discredit Poland's Socialist system prior to the congress. It said these Western forces hoped that developments in Poland would "lead to a change in the balance of forces in Europe" and the world and weaken the "Socialist

The Polish People's Republic resolutely rejects such hopes," the statement said. "Poland was, is and will continue to be a firm link

of the Socialist community."

The same wording was used in a communique after a Warsaw Pact summit meeting last Dec. 5 in Moscow that focused on the effects of Polish unrest on the Soviet

Mr. Gromyko met with Mr. Kania. Premier Wojciech Jaruzelski and Foreign Minister Jozef Czyrek for talks "in a businesslike comradely atmosphere" covering "a broad range of questions of mutual ed States and its NATO partners of seeking to "revise postwar realities in Europe" and attempting to secure military superiority over the

'Plans' Denounced

The Soviet Union and Poland firm their determination to "maintain their defense capability at a proper level, and will take legitimate care about their security, the statement said.

"The defense of the gains of So-cialism in the Polish People's Republic is inseparable from the questions of independence and

One obstacle confronting Mr.

Begin is to patch up differences be-

tween Mr. Abuhatzeira and the

National Religious Party, which

Mr. Abuhatzeira left during the spring after he was acquitted of charges stemming from a kickback scandal in his ministry. Mr. Abuhatzeira still faces charges of bribery stemming from the time he was mayor of the town of Ramle.

Zevulun Hammer, minister of

education and a leader of the

strongest religious party faction,

said Sunday that his party will

continue to push for a government

of national unity and a new elec-

tion in a year.

said. "These questions not only affect Poland but are vitally important to the entire Socialist commu-

The Soviet Union has expressed concern that the Polish congress, which will legitimize reforms introduced since last summer's worker unrest, could lead to radical changes in the Communist system.

However, Mr. Gromyko's visit is being interpreted by Western dip-lomats as indicating Moscow's acceptance, however grudging, that the congress will take place.

Diplomats noted that the visit was announced several days in advance, and included the usual ceremonial acts such as laying wreaths at memorials, emphasizing that it was routine.

In contrast, a visit here last April by Mikhail Suslov, the leading Soviet ideologist was announced the same day, and was

ter that visit made references to deviations from the principles of sci-entific Socialism and attempts to spread anarchy in Poland. Those statements were not repeated in Sunday's communiqué,

The congress is expected to return a moderate reformist leadership to power, to codify democratic changes in the party's statutes and to enunciate as official policy an attitude of cautious approval for the country's democratic "renewal'

A letter from the Soviet Central Committee to the Polish Central Committee a month ago expressed, among other things, concern over the possibility that an attempt might be made at the congress to bring about a decisive defeat of the Marxist-Leninist forces of the party and to lead to its liquidation.

The letter, however, was written before the process of selecting delegates to the congress was completed - in fact, influencing that process could have been an intent

Afghan Peace Plan Carried to Kremlin

From Agency Disp

MOSCOW — British Foreign Secretary Lord Carrington arrived here Sunday night to present to the Kremlin a European Economic Community initiative on Afghanistan — already written off by the

official Soviet press.
Tass declared Saturday that the plan could not serve as a basis for discussion, with no mention of Lord Carrington's visit. The initiative, worked out by the British and

Hard-Liners Assail Dales Party Again

By Ellen Lentz New York Times Service

BERLIN -- Little more than a week before the congress of the Germany has published a statement by the hard-line Katowice Forum that attacks the party leadership in Poland and the manner in which delegates to the congress were chosen.

The statement called for nonrecognition of delegates who were not elected according to party statutes. The declaration, published Saturday by the East German news service ADN, was adopted Thursday in the presence of nearly 300 party members from around Poland, the report said.

"We are in full support of moves to recognize only such delegates for the congress who were chosen in accordance with the statutes and the principles of the party," the hard-liners said. There were cases "where delegates were elected whose activities are aimed at undermining the ideological and

political basis for a Communist Party," they added.
Without mentioning the names of party leader Stanislaw Kania or other dignitaries, the declaration blamed "some representatives of the party leadership" for a lack of self-criticism. The Katowice Forum charged last month that the party leadership was losing control of events in Poland.

The new Katowice statement said the party was in danger of losing its base, the working class, in a development "that can result in the liquidation of its Marxist-Leninist character and in its destruc-

The hard-liners said that after the congress "the party purge must continue in a quiet atmosphere."
In particular, the statement called for "examinations" into the activities of journalists. It warned that some in the media were spreading "revisionist tendencies" and were "undercutting Socialism," while the party's own press practices a line of ignoring the dangers."

Measures Urged

BERLIN (Reuters) - East Germany described the situation in Poland as extremely serious Sunday and said steps had to be taken internally to thwart moves that endangered peace in Poland and Eu-

A report from Warsaw by ADN, usually the voice of East Berlin on political matters, said discussions prior to the Polish party congress concluded that events in Poland could not be seen in isolation but in the context of their international effects.

It said newspaper commentaries and conversations among Polish politicians showed agreement that not only must counterrevolutionary elements be blocked, but "the imperialist powers must be given no opportunity to succeed in interfering in Poland's internal af-

endorsed by the EEC, will be the first major Western diplomatic effort in more than a year to bring about a withdrawal of Soviet forces.

Lord Carrington, in a visit scheduled for only 24 hours, will outline to Andrei A. Gromyko, his counterpart in the Soviet Union, a plan calling for a two-stage confer-ence on Alghanistan to take place later this year. The stages: Five permanent members of the United Nations Security Coun-

cil and Afghanistan's neighbors — India, Iran and Pakistan — would meet to work out safeguards for Afghanistan's security as any representatives of the Afghans to discuss the country's future.

Soviet media has been especially clear on disapproval of the exclusion of the Moscow-backed Babrak Karmal government. Tass said the heart of the plan is for Western governments and China

> Bonn reacts warily to Willy Brandt's claim that the Kremlin changed its stance on mis-

sile negotiations. Page 2.

to discuss the Afghan issue without representatives of the current Communist regime in Kabul.

Tass then repeated the standard Kremlin formula for resolving the issue, which calls for negotiations between the Karmal government, Iran and Pakistan, followed by Soviet and American guarantees of an end to foreign intervention in Soviet terms, an end to opposition to the Karmal regime. The Soviet proposals, first made in May. 1980, were revived again last week in talks with Willy Brandt, the former West German chancellor.

While Soviet rejection of the EEC plan had been expected, Western diplomats see its value in introducing a formula that might eventually provide the Russians with the basis for a face-saving disentanglement. It is generally be-lieved among Western diplomats in Moscow that the Kremlin has become frustrated and concerned about a war that, after 18 expensive months, seems no closer to achieving Soviet goals.

Militarily the war has forced the Russians to commit an estimated 85,000 troops and substantial resources. Politically Afghanistan has proved to be a lingering liability in Soviet relations with the world, particularly with Moslem governments. At a time of tension over Poland, Iran, the Mideast and East-West relations, Kremlin leaders may be questioning the value of a costly and unpopular struggle.

Props for Karmal Senior Western diplomats here

believe that Mr. Karmal would be overthrown immediately if Soviet troops pulled out. Therefore they believe that Soviet leaders may eventually find merit in a political solution that enables them to withdraw their troops while receiving guarantees for Afghanistan's frontiers and nonalignment.

The Reagan administration has advised Moscow that it regards responses to international initiatives on Afghanistan and Cambodia as an important test of future East-West relations.
While Lord Carrington's Af-

ghan initiative may not make much headway, the foreign secretary will be seeing Mr. Gromyko shortly, after the Soviet foreign minister's return from a potentially significant visit to Poland.

The Soviet press has been silent on Mr. Gromyko's pur sose in the brief visit to Warsaw, which comes less than two weeks before the start of the crucial Polish Communist Party congress at which unprecedented reforms and freedoms are expected to be ratified.

interests, German management, German workers and German suppliers. The name of MA: the chain doing the advertising is hos Apparently the West German franchisein holders seemed to be saying it was a good for allowing the party's Americanization. time to look a little less American. After all, had not Vorwarts, the official newspaper of

the Social Democratic Party, run an article by a man named Jan Thorn-Prikker that associated McDonald's in West Germany with primitive American nourishment, recreating

U.S. hegemony and gastronomic conservain a country of sometimes grinding earnestness, all this would be just finny—and
for some Americans, an example of good
German sense—if it did not fit into a period of considerable talk about the attitudes of West Germans, and to a lesser extent

other Northern Europeans, toward the Unit-

ed States. The code words blur: pacifism,

the Middle East.

Sadr is at present

the magazine said.

the Iraqis — was near," Mr. Bani-Sadr kept repeating, Eight Days said.

for his arrest.

the Party of God.

J-***

a year, and was organized by Mas-

soud Rajavi, the leader of the Mu-jahaddin (People's Crusaders), an Islamic Marxist guerrilla group,

"They have betrayed me. They

have stabbed me in the back just

the Iraqis - was near," Mr. Bani-

After he was stripped of his mili-

tary post, his last vestige of power, Mr. Bani-Sadr's Moslem funda-

mentalist enemies voted in parlia-

ment to depose him as president,

with the approval of Ayatollah

Khomeini, and issued a warrant

attempted to mount demonstra-

tions, but they were swamped in brief street fighting by followers of

Small bands of his supporters

when victory over the enemy -

The interview published Satur-

neutralism, anti-Americanism; the explanations often collide. But something seems to

be there. The last few weeks in West Germany

present an instructive mosaic. • A Protestant conference takes place in Hamburg with perhaps 100,000 young participants and they hold a peace march in which the United States is portrayed as the force behind the world's tensions and a new

Stern magazine, the country's largest general-interest publication, runs a cover picture of a U.S. nuclear missile piercine the lear ror a dure of pears.

• The youth wing of the Social Demo-cratic Party criticizes the national leadership

• The Süddeutsche Zeitung, a leading liberal newspaper, says that anti-Americanism has become an abominable fashion, transported by arrogance and self-justification, and by the vehicle of European fear and so-called peace movement in ever wider

Talking Kindly

Some West Germans who acknowledge that there is a problem, but who prefer not to consider it a deep one, say all this would wash away if only Ronald Reagan appeared more sympathetic to the Third World, got angry at South Africa, lowered interest

rates, stopped spending so much money on arms, left liberation movements alone, and began talking kindly about Leonid I. Bre-

But there is another analysis, and it suggests a deeper estrangement. This thesis contends that the anti-Ameri-

canism (or neutralism or pacifism) is actually a reversion to the anti-Western and antimodernistic currents traditional in German society. The fear of atomic energy, which is stitched into the current mood, and West German youth's lack of interest in technologaszez, applicat applicate essenting their their

Max Weber, the German political sociologist, distrusted Anglo-Saxon materialism, and the notion that Germany is a special entity between East and West has been more of a constant in German political thought of the past century and a half than special admiration for or relationship the United States.

It may actually be a particularly West German kind of materialism that many German intellectuals find repulsive, but it seems somehow easier for them, since the Vietnam War, to thrust the responsibility back onto the United States.

Among the serious political theorists read by university students, Peter Bender believes that Europe - the word is often employed euphemistically by the left, instead of the

more troubling term "Germany" - must protect itself culturally against U.S. civilization and must Europeanize the Soviet Union so that it can be spared Americanization. By this reasoning, the Soviet population is still pure, that is, not corrupted by consumerism.

The Americans, of course, are not pure. Many West Germans from the country's establishment consider this drivel and they like to point to public opinion polls that, depending on the phrasing of question, show support for the United States. But the attitude of the intellectuals clearly has won a

percent of the Social Democratic Party's membership wanted a foreign policy course between the United States and the Soviet Union. This attitude may also have something to do with the West German government's unwillingness over the last decade of detente to judge Soviet behavior harshly. A picture was created of the Russians as difficuil but basically reasonable. Americans were seen as living with the inustice, decomposition and confusion of Vietnam, Watergate and the Carter presi-

The problem has become considerably more concrete in the past year, with critics of the United States finding two occasions when they saw U.S. policy as an attempt to

(Continued on Page 2, Col. 4)

By William Claiborne

Washington Post Service
JERUSALEM — Tabulation of Israel's military vote pushed Prime Minister Menachem Begin's Likud bloc one seat ahead of the opposition Labor Party Sunday, enhancing his chances of forming a coali-

Apparently final but still unofficial returns gave the Likud 48 seats in the 120-member Knesset while Labor, headed by Shimon Peres, has 47. The National Religious Party won six and the ultra-Orthodox Agudat Israel Party won four.

By coupling the Likud and religious party seats with three won by the Tami Party, a splinter faction of the National Religious Party headed by Religious Affairs Minister Aharon Abuhatzeira, Mr. Begin would have a thin majority with 61 seats. If the Likud won passive support of the three Knesset members of the rightist Tehiya Party and the two members of Moshe Dayan's Telem Party, it would have a comfortable majority

concessions to win over Agudat Israel and Mr. Abuhatzeira's party and couple it with the three votes of the left-of-center Shinui and Citizen Rights Movement, Labor would also have to win the passive support of the Democratic Front for Peace and four Communist members. This is considered un-

Cabinet on Sunday morning that there is no longer any doubt that President Yitzhak Navon would give him the first coalition opportunity. A spokesman said the prime minister expects to form a government within 10 days.

The president is required after consultation to ask one party to attempt to form a government, traditionally the party with the most seats. It is given 21 days. Mr. Begin's Likud bloc moved

ahead in the vote tabulation large-ly on the basis of ballots cast by members of Israel's military. At the end of the counting of civilian vote, Likud and Labor were deadlocked at 48.

Distribution of leftover votes gave Mr. Dayan's party and Teby-ia an additional seat. After the seats have been distributed, surplus votes are apportioned out on the basis of initial strength. Election officials said it is possible that when the official tabulations are announced on Friday, the Citizens Rights Movement will pick up an additional seat at the expense of

INSIDE

Argentina

the Likud.

The military government of Argentine President Roberto Eduardo Viola, hammered by a worsening economy and in-ternal division, is being further strained by ebbing public support. Page 3.

Sonoda's Style

In Japanese diplomacy, the normal technique for dealing with trouble is to obfuscate. This is not the style adopted by Sunao Sonoda, the new for-eign minister. For the past month, he has been issuing anti-American statements that have got him in trouble with many politicians, and there is speculation that he may not outlast the next Cabinet reshuffling, Page 5.

Puerto Rico

Puerto Rico, where economic development and poverty coexist, is the subject of a supplement in today's Trib. Pages 7S-10S.



Among Rebel Kurds triumph for Ayatollah Mohammed Beheshti, leader of the Islamic Re-By John Kilner New York Times Service publican Party and its political mastermind during the bitter BEIRUT - Abolhassan Bani-Sadr, the deposed and fugitive president of Iran, has been sheltered by rebel Kurdish tribes struggle between the religious leaders and the liberals that began almost as soon as the late shah was men, according to an interview published in Eight Days, a Lon-don-based magazine specializing in overthrown. But on June 28 a bomb went off in the party's headquarters near the Tehran bazaar, killing Ayatol-

Bani-Sadr Reported

members and government officials attending their regular weekly • Islamic Revolutionary Guards reportedly kill guerrilla sup-The remaining leaders immediporters in Tehran. Page 2. ately ordered another crackdown on opponents of the regime, day is the first word of Mr. Banirounding up, among others, 50 members of the Mujahatidin, who they said were responsible for the Sadr since he dropped out of sight

lah Beheshti and 71 other party

June 12, shortly after he was stripped of his title as commander-in-chief of the armed forces by the bombing.
The mostly youthful Mujahadrevolutionary leader, Ayatollah Ruhollah Khomeini. The interdin, who attempted to synthesize Islamic religious traditions with view, the English-language maga-zine said, was conducted four days modern Socialist thought, have been severely attacked by Ayatol-lah Khomeini and the clerics. Belater in Kurdistan, the rugged mountainous area of northwestern fore the revolution, they had been underground opponents of the It is not known where Mr. Banishah, suffering a considerable amount of torture and death at the His escape was aided by the hands of his secret police, SA-Kurdish Democratic Party, which has been bartling the central government he beaded for more than

The Mujahaddin have been sup-porting Mr. Bani-Sadr, and Eight Days said that several members of the group were accompanying him as bodyguards.
Mr. Bani-Sadr said that his

problems deepened when he began French Navy Sinks

Abandoned Tanker

TOULON, France -French Navy Sunday sank a Greek tanker that had been drifting in the Mediterranean for three months with a cargo of highly volatile naphtha on board, a military

spokesman said. The 12,780-ton Kavo Kambanos was abandoned by its crew on April 4 off the Spanish coast after a fire on board. French authorities decided to sink the vessel because it had become a danger to ship-It appeared to be a moment of

Military Vote Puts Likud Ahead, **Aiding Begin's Bid for Coalition**

Theoretically Mr. Peres could form a coalition by making enough

Begin Has First Try

Mr. Begin told a meeting of his

John McEnroe displays the winner's trophy after captur-ing the men's singles title at Wimbledon by defeating Bjorn Borg, 4-6, 7-6, 7-6, 6-4, on Saturday. See Page 17.

By Leonard Downie Jr.

LONDON - Both the British government and imprisoned Irish nationalist hunger strikers in British-ruled Northern Ireland appear ready to give ground in their impasse over prison rules in an effort to head off further starvation deaths among inmates.

A Roman Catholic Church group in the Irish Republic, the Irish Commission for Justice and Peace, met Saturday with British officials and the hunger strikers amid signs that both sides had modified their positions in response to the commission's intervention.

The commission is composed of a group of clergy and lay people affiliated with the Irish Catholic Bishops' Conference.

[Commission members returned to Northern Ireland's Maze prison on Sunday in a further attempt to negotiate an end to the death fast by eight nationalists, The Associated Press reported.]

Time Is Short

Time is running short, however. After an interval of six weeks since the deaths of the first four hunger strikers, Joe McDonnell, 30, a member of the outlawed Provisional Irish Republican Army serving a 14-year sentence for illegal posses-sion of arms, lies near death after refusing food for 57 days.

He is reported to be having extreme difficulty hearing or seeing. He was given the last rites of the Catholic church on Thursday.

Seven other hunger strikers are expected to die at one or two week intervals over the next two months if the protest does not end.

British officials said the govern-ment is willing to make further modifications in prison conditions in Northern Ireland if the hunger strike is ended. The officials suggested the European Human Rights Commission as an arbitrator of prisoners' complaints.

Room for Maneuver

A statement purportedly smug-gled out of the Maze prison from leaders of the Irish nationalist prisoners was markedly more conciliatory than earlier statements. It said that there is no need for either side to lose a point of principle and that there still is plenty of room for

["We believe that the granting of changes for the five demands to all prisoners ern Ireland.

the administration would be forfeiting control of the prison.
Nor would their say on prison activities be greatly diminished but
the prisoner could have his dignity restored and cease to occupy the role of establishment zombie," United Press International quoted the statement as saying.]

Until recently, there had been little sign of movement away from the long-standing deadlock be-tween the demands by convicted IRA guerrillas in Northern Ireland for changes in prison conditions, including their insistence that they be treated as political prisoners. and the refusal by the British government to grant them that status or give up any of its control of the

British Sources

British sources said that Michael Allison, a government minister responsible for Northern Ireland, told members of the Irish church commission on Saturday that the government still would not negotiate with the prisoners and must remain in control of the prison re-

But the sources also emphasized the government's willingness to make some changes, particularly if suggested by the European Human Rights Commission, if the prisoners end their hunger strike.

Some of the hunger strikers and their relatives also have been reported to be more receptive to compromise now, although suspi-

A bigger question is the attitude leaders of other convicted nationalists inside the prison and their supporters outside, who have remained publicly bostile to a set-

prisoners' original demands. Efforts to reach a settlement, begun by suggestions for compro-mise by the Irish church commission last month, intensified with a daylong meeting on Friday beween commission members and British officials headed by Mr. Al-

The purported reply by the prisoners' leaders reiterated the pris-oners' original demands, but dropped language in previous statements that also demanded treatment as political rather than criminal prisoners. Instead, the statement said they were seeking changes for all prisoners in North-

3 Guerrilla Supporters

TEHRAN - Islamic Revolutionary Guards clashed with supporters of a leftist Moslem guerrila group hiding in a central Tehran police. apartment Sunday. Three persons

were reported killed. Tehran Radio said the apartment had been a hideout of the Mujahaddin (People's Crusaders) guerrilla group and that the three dead were supporters of the group. Two of them were thought to have been killed by the explosion of one of their own hand grenades, the ra-

In a separate incident, nine royalists were arrested at a house in a south Tehran suburb, the radio said. The royalists were accused of

Vietnam Chooses **Top Party Aide** To Head Council

Reuters

BANGKOK — Vietnam's National Assembly has elected Truong Chinh, a senior Communist Party official, as president of the State Council, the country's new collective presidency, Radio Hanoi

reported.

Mr. Truong, 73, who has been in the top echelon of the party for more than 40 years, formerly was chairman of the National Assembly. The assembly also elected Pham Van Dong as president of the Council of Ministers — in ef-fect, retaining him in his position as premier. The vote was Saturday.

Although the new collective presidency has been given wide constitutional duties, including electing the Council of Ministers, including diplomats here believe that the most powerful single figure in the Vietnamese hierarchy remains Communist Party General Secre-

Radio Hanoi gave no further details of any other appointments in its brief announcement.

Outlawed Cooking Oil Kills No. 60 in Spain

Resters

MADRID — Lethal bottles of illegal cooking oil have claimed their 60th victim in two months. Spanish officials said Saturday that two other legal brands of oil on supermarket shelves are also unfit for consumption because they have traces of the same contaminant.

More than 10,000 Spaniards have been affected by the oil, which was sold in unlabeled bottles door-to-door and contains rapeseed oil treated for industrial use as a lubricant. Police have arrested five men for importing and distrib-

ANY U.S. BOOK IN PRINT DELIVERED FAST ANYWHERE IN THE WORLD

leading recent disturbances. The radio said that documents found in the house linked those arrested with the late shah and his secret

executions throughout Iran in recent days, including seven support-ers of the Mujahaddin. The others to push through changes in the syskilled included six drug traffickers, tem that brought calls from the opa woman charged with adultery and a man convicted of taking part in an illegal demonstration in eastern Iran and of "carrying knives and chains to confront people."

100 Executed in 2 Weeks

State radio said that another Mujahaddin supporter had been shot by Revolutionary Guards near the Caspian coast Saturday after failing to heed an order to

More than 100 persons have been killed by firing squads in Iran in the last two weeks as part of a crackdown on underground groups.

Meanwhile, the Majlis (parliament) approved a new foreign minister to fill a vacancy that has existed since the formation of the present government II months

The minister is Hussein Mousavi. publisher and editor-in-chief of the Islamic Republic newspaper. organ of the dominant Islamic Republican Party (IRP).

Mr. Mousavi had long been proposed by Premier Mohammed Ali Rajai but his appointment, and that of other proposed candidates, had been blocked by the president, Abolhassan Bani-Sadr, Mr. Bani-Sadr disappeared last month after being dismissed as armed forces commander-in-chief and he has since been ousted as president.

Mr. Mousavi, 40, is a member of the IRP and sat on the all-powerful Revolutionary Council ran the Islamic republic for about one year after the revolution.

His newspaper on Sunday quoted a public prosecutor's office as warning taxi drivers that they would be prosecuted if they were caught spreading rumors.

Tehran's bright orange taxis, which act more like minibuses by carrying up to five or six passengers, are traditional hotbeds of

Iran's spiritual leader, Ayatollah Ruhollah Khomeini, called on citizens last week to watch and listen in public places and report any suspicious conversations or actions to the authorities.

Attribution Corrected

New York Tunes Service NEW YORK -- Because of an editing error by The New York Times, an article by Steven R. Weisman, on strains between White House aides and Secretary of State Alexander M. Haig Jr., incorrectly attributed to Richard V. Allen, President Reagan's national security adviser, a statement that criticism of Jeane J. Kirkpatrick had brought out the tension. The statement should have been attributed to a senior official instead of to Mr. Allen.

Break Out In England

LONDON - Asian youths pelted buses with bricks. smashed windows and clashed with police during the weekend in the west London district of Southall where 24 hours earlier bloody riots broke out between immigrants and white extremist youths, officials said.

In Liverpool, in northwest England, 40 youths — most of them black — hurled gasoline bombs and stones at a cordon of 200 police early Sunday while firefighters doused hijacked cars set ablaze in nine hours of clashes, police said. They said 45 officers were injured but fewer than a dozen persons were arrested in Liverpool.

The weekend of violence signaled the return of racial clashes to Southall, where local youths battled supporters of the ultrarightist National Front in 1979.

Police said Asian youths tried to set fire to a lumber yard in Southall late Saturday and broke dozens of windows in the area, where riots had broken out Friday night between the Asians and young white toughs linked to the National Front who call themselves "skinheads," because of their shaven heads.

No One Hust Saturday There were no reports of injuries in Southall on Saturday.

Southall's member of Parliament, Sydney Bidwell, said that the violence Friday night, which left more than 100 persons in-jured and sent 14 policemen to

A policeman surveys the damage at the Hambrough Arms tavern in West London's Southall district, where rioting broke out between ultrarightist white youths and young Asian immigrants. A burned police car is in the foreground Of Saturday's violence, a pohospitals, appeared to be an orlice spokesman said, "As far as ganized attempt to incite racial I'm aware, there have been no Mr. Bidwell, a member of the reports of skinheads coming back here. ... We believe the opposition Labor Party, said he

trouble is being caused by local The disturbances in Liverpool flared when a black man fell off his motorcycle Saturday night while being chased by a police car and a crowd of youths snatched him away from the of-

ficers, a police spokesman said. Police fought pitched battles through the night with youths who looted and set fire to an electrical appliance shop, set ablaze a derelict house, broke into a liquor store and stoned passing

Rising Costs Threaten Future Solvency themsent for anything less than the Of West German Social Security System

had always known that if the

National Front or other racist

groups "descended" on Southall,

with its high concentration of Indian, Pakistani and Bangla-

deshi residents, "all hell would

The disorders Friday began

when two busloads of skinbead

youths from other districts of

London arrived at the Ham-

Witnesses said the buses

brough Arms bar to hear a con-

were decked with National Front slogans and the youths

were making Nazi salutes.

break loose."

By John Tagliabue

New York Times Service BONN - Otto von Bismarck, the Iron Chancellor of 19th-century Germany, was hardly a Roosevelt New Dealer. But in 1861, in one of several moves to take the wind out of the sails of the Socialists, he gave the Prussians the world's first state-run old-age in-

Social security has spread since then, and it is causing headaches to governments in many nations, including West Germany.

In 1977 the Bonn government risked its political life to save the social security system from insolvency. But a combination of factors - longer life expectancy, an oil-induced economic recession, a tradition of openhanded generosity and a court order mandating של שלים ביום או שושו אלים German taxpayers and again threaten its long-term solvency.

Despite assurances by Chancelfor Helmut Schmidt in the 1976 election campaign that West Ger-The state media has reported 15 many's social security system was position Christian Democrats for Mr. Schmidt's resignation.

Pension Concept

The heart of the problem, then as now. was West Germany's concept of pensions. Under a 1957 law, retirement benefits are linked to increases in the country's gross wage level. In the 1970s that indexing system led to pension increases that averaged 10 percent a year at a time when inflation in West Germany was about 3 percent annual-

In an attempt to reduce pressure on the system, Mr. Schmidt's gov-ernment slowed increases in retirement benefits from 1979 to 1981. Instead of increases adjusted to wage growth, pensioners were given a 4.5-percent increase in 1979 and 4-percent increases in the next two years. In that period, consum-

tem, pension payments by wage earners were increased, and pensioners were told they would have to share the cost of compulsory medical insurance beginning in

Guerrillas Kill 30 in an Attack In El Salvador

SAN SALVADOR -- Leftist guerrillas killed at least 30 soldiers and civilians in an attack on a northern Salvadoran village, and an army patrol was reported missing after being sent into the area, litary commanders said.

The rebels, apparently in control of the area surrounding the village of La Ceiba, drove off helicopter assaults with heavy ground fire and ambushed at least one foot patroi that ventured into the area. military officials said Friday

The officials said that at least three guardsmen, a captain and 26 civilians - presumed to be members of a paramilitary rural patrol and their families - were killed in a rebel attack on La Ceiba, 5 miles (8 kilometers) north of the provincial capital of Chalatenango. The officials said a military pa-

trol was sent to the village on Thursday to rescue the soldiers under attack, but that there had been no word from it. A second patrol sent to the village was ambushed and forced to return, the commanders said.

Officials at the San Salvador morgue on Saturday reported 24 political slayings, including nine young men who were kidnapped Friday by unidentified gunmen from their homes in Chalatenango and shot and killed in a roadside

Bonn's major long-term worry, however, is the nightmare of a di-Wage earners in West Germany. where the retirement age is generally 65, contribute 9.5 percent of their pay to the government pen-sion fund, which is matched by their employers. By the end of the century, according to projections by the National Statistics Office,

surpass 30 percent. Rates Contrast

the rate of taxation is expected to

By contrast, in the United States, where the customary retirement age is also 65, the wage earner's contribution to the Social Security system this year amounts to percent, with the maximum taxable wage set at \$29,700. A matching sum is paid by the employer. Some projections put the rate of taxation by the end of the century at 17 percent.

.. But comparisons bear systems are difficult, since their structures are different. Not all Americans receiving Social Security are retired; roughly a third are in such special categories as the disabled or survivors of deceased workers.

The West German funds are administered by independent agencies, under government review, whose policy-making boards are elected by business and labor representatives. In effect, pensions are paid directly by funds that wage earners pay into the system, a though heavy government subsi-dies bolster the fund.

Work Force Shrinking

In a 1975 decision that reflected the shifting patterns in the employment of women, the justices of the Constitutional Court, the nation's highest court, told the government that it had until Jan. 1, 1985, to change laws that give a widow 60 percent of her husband's retirement payments but deny a widower any benefits that may have accrued to his wife. The government's loss in the women's retirement payments will further strain the system.

er prices rose by 5.5 percent. As additional relief to the sysMalta Expresses Fear Of EEC Competition

VALLETTA, Malta — Malta's economy is not strong enough to enter a customs union with the European Economic Community because companies here would be exposed to fierce competition, the government of Prime Minister Dom Mintolf said.

The government said in its 1981-1985 economic plan, published Saturday, that strengthening Malta's association agreement with the EEC would be better for the island. Discussions on renewing the accord are under way but Mintoff left a meeting with EEC ministers in Luxembourg last month in an angry mood after they refused his request for more aid. EEC sources said. minishing birthrate coupled with a widening life expectancy - a shrinking work force supporting the pensions of a burgeoning number of retired people. In 1978 the West German gov-

ernment appointed a study commission to suggest changes in so-cial security policy. The commis-sion came up with several ideas, chief among them a proposal that taxes should be collected on all pensions — only civil servants' pensions are taxed today - and that the employers' share of payments be increased by using a graduated system based on the size of company sales.

Crucial questions remain to be resolved, however, such as whether to continue to link pension pay-KM 'Schmidt say the solvency of the social security system is assured until 1985. But West Germany's fiscal situation - the balance of payments deficit, for instance, is threatening to exceed last year's level of more than \$16 billion has rekindled the discussion.

Italian Police Say Guerrillas Exchange Arms

ROME - Italy's anti-terrorist police have discovered links between leftist and rightist guerrilla groups who helped each other by exchanging arms, information and medical aid, police sources said.

They said investigations over the last few weeks had led to the arrest of 45 suspected guerrillas from extremist organizations and the discovery of two arms caches near

Those arrested were suspected of taking part in guerrilla attacks between 1974 and 1979 and allegedly belonged to various leftist groups and a rightist group that claimed responsibility for the bombing of a Bologna railway station last August that killed 85 per-

During their inquiries, police found that the groups offered each other medical aid if their members were injured in gun battles with police, the sources said. They also discovered that leftist gun smugglers had supplied rightist groups and exchanged information about police investigations.

Crash in Mexico Kills 20 The Associated Press

MONCLOVA. Mexico least 20 persons died and 46 were hurt when a bus collided Saturday with a pickup truck on a highway in northeastern Mexico. The bus was traveling from Monclova, Coahuila state, to Monterrey,

pressure on Western Europe.

did not disclose Mr. Brandt's answer, but he said he referred to the

This also appeared to have vexed the government since it left

U.S.-West German Gulf May Be Deep

(Continued from Page 1)

The first was the call for sanctions without integrity. This week, this in relation to Afghanistan, which notion received unusual legitimizawas successfully resisted by Chantion through a statement by cellor Helmut Schmidt. The sec-Gunter Gaus, West Germany's ond issue is the current source of former representative in East Gerpassion: the stationing of new me- many and a confidant of Willy dium-range U.S. nuclear missiles Brandt. in West Germany.

Notion Legitimized

pressed the United States to make tary conflict with the U.S.S.R. that the original decision, a fact gener- would not directly affect U.S. terally disregarded in the debate here. ritory. Restriction of the argument the issue is seen by the demonstra- in West Germany to military probtors as an attempt by the United lems disguises the fact that the States to Europeanize a possible core of the controversy consists of

The issue has gone through vari- [in Europe] possible - if U.S. ous levels of discussions, including Pershing missiles were stationed in the possibility of stationing the West Germany although 50 permissiles on ships rather than on cent of the West Germans do not

force West Germany into a con-frontation with the Soviet Union. United States is both warlike and

Mr. Gaus said. "There is no doubt that it is in the political interest of the United States to es-Although it is Mr. Schmidt who tablish the possibility of such milinuclear war with the Soviet Union. making nuclear military conflict

agree to such an interpretation of the meaning of NATO, West Germany would become an American province in the meaning the term province had in the Roman Em-

If these remarks are striking, es-pecially coming from a man whose party remained in power with only 42.9 percent of the vote last fall. most U.S. diplomats here believethat the controversy about the missiles and the anti-American tone are things the West Germans must resolve themselves.

Some Germans have already warned that the result of the developments could soon be a new kind of U.S. isolationism; Europeans don't care, why should we? The next time anyone has to be rescued Europe, the Süddeutsche Zeitung suggested, Americans may not be around to do it.

Bonn Is Cool to Brandt's Claim Of New Soviet Stance on Missiles

the impression that the Soviet Un-

ion, following Mr. Brandt's think-

ing, might be allowed to retain

some of its SS-20s. Mr. Becker said

the zero solution, meaning total

By John Vinocur

BONN - Statements by Willy Brandt and other Social Democratic Party leaders that the Soviet Union is taking a "materially different" position on possible negotiations with the United States on middle-range nuclear missiles are drawing wary and partially negative reactions from the West German government.

Mr. Brandt, the chairman of the Social Democratic Party, who met with Leonid I. Brezhnev at Moscow's invitation last week, said in an interview published Saturday that the talks produced "new accents" in Soviet policy. He said they concerned a Soviet-

proposed moratorium on the de-ployment of middle-range missiles and purported Soviet interest in a "zero solution" that would allow NATO to forgo plans to deploy Pershing-2 and Cruise missiles in Western Europe at the end of

Hans-Jurgen Wischnewski, the party's deputy chairman, said the trip had produced "important information" that the "United States should be interested in very carefully checking."

Boun Sees Nothing New

But a contradictory and perhaps irritated attitude was apparent in the first reaction of the govern-ment of Chancellor Helmut Schmidt. Kurt Becker, the government spokesman, referred Friday to the moratorium suggestion, as relayed by Mr. Brandt, as a "repetition and reworking" of an earlier Soviet suggestion rejected by NATO and the government here.

Mr. Brandt's remarks seemed to confirm fears expressed privately by some U.S. experts that his trip would complicate Mr. Schmidt's defense of the NATO program and take attention away from the Sovi-et missiles targeted on Western Eu-

Although Mr. Brandt returned Thursday from the Soviet Union and addressed a party meeting and gave a magazine interview, he had seen neither Mr. Schmidt nor Foreign Minister Hans-Dietrich Genscher by Saturday. Aides said he spoke twice to Mr. Schmidt on the telephone.

There has been controversy within the Social Democratic Party about the NATO decision to station the middle-range weapons here. Members of the Christian Democratic opposition have said that the invitation to Mr. Brandt, who has supported the NATO decision only in the vaguest terms, was a Soviet effort to deepen the differences between the United States and West Germany, to charloving and to use Mr. Brandt as a lever for influencing Mr. Schmidt.

Trembling for Peace

In the interview Saturday, Mr. Brandt described Mr. Brezhnev as a man who "trembles where world peace is concerned" and the Soviet leaders as growing anxious because "they still don't know what the

Americans want" Commenting on the Brandt trip, Helmut Kohl, chairman of the Christian Democratic Party, said it was "unfitting when we Germans take it upon ourselves to think that we're needed as intermediaries to advance talks between the United States and the Soviet Union.

The United States has said it expects formal negotiations on the middle-range weapons to begin by the end of the year. The Soviet Union has about 200 middle-range SS-20 missiles targeted on Western Europe and the NATO decision of 1979' is meant to counter their presence.

The moratorium suggestion made by Mr. Brezhnev to Mr. Brandt would essentially mean a renunciation by both sides of deployment of such weapons while talks were in progress. What was new, according to Mr. Brandt, was that the Russians no longer said that the United States should stop production or preparation of sites for eventual installation.

Although this was described as a "material difference" by Mr. Wischnewski, it did not change the fact that the SS-20s are in place, a situation that both Mr. Schmidt and Mr. Genscher say allows the Soviet Union to exert political

As for the so-called zero solution, Mr. Wischnewski said the So-viet leader asked Mr. Brandt what he thought such a goal would mean in terms of reduction of the Soviet missiles. Mr. Wischnewski necessity for "an approximate bal-

Training on Polish Border

The sources said the new phase The sources said the new phase of training began in late May and requires two days of military instruction and ideological indoctrination for all reservists up to age 35 to prepare them to defend "the

identified, reached here while Soviet Foreign Minister Andrei A. Gromyko traveled to Warsaw to outline the Kremlin's views of the political crisis to the Stanislaw Kania leadership as Poland's Communist Party prepares for a crucial congress scheduled to begin July

Delineated Responsibility

It is said by the sources that instructions have once again been sent to all factories, farms and enterprises in the mountainous region from the military command that it is their full responsibility to see that a mobilization takes place without hitches. Last August, the sources said, a sudden order to call the reserves to duty resulted in chaos, desertions and the dismissal of numerous regional officials because of the unsatisfactory out-

Now, the sources say, reservist are being called from individual factories and other places of work by the hundreds, given two days of vilian life. The sources say that the reserves have not specifically been

different counts of weapons and warheads made by both sides. This left the impression that he was not fully confident in the estimates of forces given by NATO, an argument that has been used by other members of his party to question the seriousness of Mr. Schmdt's contentions that the Russians hold marked superiority in middle-

as well in the interview about the

By Kevin Klose

Washington Post Service MOSCOW — Soviet military reservists along the Polish border in the strategic trans-Carpathian region have resumed intensive training for full mobilization at any time, according to reliable

Socialist community" from an un-

named foreign enemy.

The reports, from unofficial sources who did not wish to be

they credit the reports on the basis of certain changes — which they refused to detail — in military readiness in the region. But they said the reported preparations may be contingency moves that do not mean use of military force by the Kremlin to stem the tide of Polish political reform is either imminent

told the new round of training is related to the Polish crisis, but that all assume this is the reason for it.

lance by Soviet secret police in the trans-Carpathia, which is in the western Ukraine, has increased substantially since May. The region is home to many who are of Czech, Hungarian and Polish de-As with the reported aftermath of last year's call-up, regional offi-

They further say that surveil-

The reported start of the new training for reserves coincided with a stepped-up Soviet propaganda attack on "counterrevolutionaries" in Poland in mid-May, which made clear the Kremlin's deep dissatisfaction with the way Mr. Kania was handling the challenge of reformers in the Solidarity trade union movement. Since then, Mr. Kania has withstood an at-tempt by hard-liners using a toughly worded Kremlin letter to depose him, and it is expected that he will

pathia, the sources say, reserves are being told that "a necessity has arisen in connection with complications in the international situanon." and they must be ready to go to duty if an order comes to do-

Reservists who were called up last August at a high point of Pol-ish unrest are reliably reported to have been kept on duty until December, when they were returned

There are also reports of soldiers being told they gave their lives in the patriotic service of the state.

WORLD NEWS BRIEFS

Cheysson Defines French Arms Sale Policy

government will continue to sell arms abroad but not to dictatorships that could use them for repression, to countries at war or to those whose policy menaces the liberty of other peoples." In an interview with Le Nouvel Observateur magazine, Mr. Cheysson said arms manufacture was necessary for France's defense and for its industries. "But we must have some reservations" because "a country

In another development, Mr. Cheysson met Saturday with Farouk Kaddourni, head of the political committee of the Palestine Liberation

BEITEDDIN. Lebanon — Arab mediators seeking a political solution to Lebanon's six years of political violence said on Sunday that they had failed to clear the major obstacle to a settlement - Israel's links with

foreign ministers of Lebanon. Saudi Arabia and Kuwait. Damascus is insisting on "closing the Israeli door" before getting down to detailed discussions on Lebanon's future. Within minutes of the conference ending, Damascus Radio broadcast

LISBON — Portugal's moderate trade union federation, UGT, has welcomed Premier Francisco Pinto Balsemão's call for a social contract to help the country recover from an economic shamp.

In a televised speech Friday, the premier called for such an accord

Renters

had had to lower its growth target for 1981 to 3 percent from almost 5 A spokesman for the UGT described the proposal as an overdue step in the right direction. But the Communist-led Interstudical union move-

From Agency Dispetches

Lynn, the second storm, was heading Sunday toward Hong Kong and southern China at 19 mph (30 kilometers per hour), the Manila weather

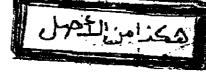
Tropical storm Kelly, the first to smash into the islands last week killed 194 persons and left 20 missing officials said. They estimated damage by Kelly at \$2.2 million.

Peking Says Rains Relieve Drought in North

United Press International PEKING — The People's Daily newspaper said on Sunday that beayy rains had "basically relieved" a severe drought that had left millions of Chinese hungry and prompted Peking to ask for international help.

Saturday, had dumped as many as six inches (150 millimeters) of precipitation on half a dozen provinces, including the worst-affected regions on China's parched northern plains. "As a result, the dry conditions in our country's northern areas since

the first half of last year have been basically relieved." People's Daily said. However, Western agricultural specialists agreed that the rains fell at a critical time for spring wheat and other crops scheduled to be harvested in the autume, but cautioned that it was too early to proch end to the drought.



abandonment of NATO's missile program, would only come into discussion "if the Soviets come down to zero." Mr. Schmidt has said this appears extremely unlike-Mr. Brandt expressed concern range nuclear forces. Soviet Reserves Reported

cials and directors of enterprises have been told to make sure they have a full work force on hand, and to cancel vacations and business trips so that manpower remains at peak levels. Propaganda Attack

be re-elected party leader at the However, in the trans-Car-

from the region having been killed while serving the state on active duty. These reports, which like the reported new training effort cannot be independently verified, al-lege that some soldiers may have died in Poland. But it is unknown

United Press International PARIS - Foreign Minister Claude Cheysson says France's Socialist

with an unbearable totalitarian regime must not have French arms that

could be used for repression," he said. Organization. A Foreign Ministry spokesman declined to comment on the meeting, the first for a PLO official with the new French government, saying only that Mr. Kaddoumi had requested it.

Syrians Say Lebanese Obstacle Remains

This question has not been settled," said Syrian Foreign Minister Abdel Halim Khaddam after a two-day conference in Beiteddin with the

a commentary that said even an announcement from the Christian Phalangist leader Bachir Gemayel - whose militia controls east Beirut and a large pocket of territory stretching up the Mediterranean coast—breaking links with Israel would not enable him to take part in deciding

Unionists Welcome Lisbon's Economic Plan

among the government, employers and unions as a means of implementing a prices and incomes policy. The premier also said the government

ment said Mr. Pinto Balsemão's speech contained nothing that would soften its total opposition to the center-right government.

2 Tropical Storms Kill 205 in Philippines

MANILA — Two tropical storms that battered the Philippines in the same week killed at least 205 persons, officials said Sunday, Another 42. were reported missing.

bureau said. Its center winds were measured at 53 mph.

to civilian life

Strains in Economy Weaken Grasp of Argentine Junta

By Edward Schumacher New York Times Service

BUENOS AIRES - The juntar of President Roberto Eduardo Viola, plagued by a worsening economy and internal power struggles. has become severely strained as the military seems to have lost the majority support it once thought it had from Argentina's 28 million

Since the beginning of the year unemployment has doubled, inflaimemployment has doubled, mination has moved into triple figures and the peso has been devalued by more than 200 percent. Presidents of both the central bank and the national bank have resigned, and to further the atmosphere of uncertainty rumors persist of other re-signations, including that of Gen. Viola himself.

The situation is dangerous, a top official said, because he fears that hard-line generals may crack down on what had been a slow liberaliza-

By Edward Schumacher

New York Times Service

recordings of interrogation ses-

sions with Jacobo Timerman have

raised questions about whether the

former newspaper publisher fully explained the possible motives of the authorities in arresting and tor-

Mr. Timerman has said that his

1977 arrest and subsequent torture during two and a half years in pris-

on stemmed in large part from the act that he is a Jew and from what

ne charges is the anti-Semitism of

Many Argentines who have sur-

ived imprisonment and torture re-

. ort that Jews are often dealt extra

unishment and that Nazi flags

re hung in some torture cham-

On the tapes, Mr. Timerman can e heard acknowledging that he

ad expected his arrest because of

is association with David insiver, a fugitive financier who

portedly had died the year be-ire in a plane crash in Mexico.

In New York on Saturday, Mr.

imerman was reported as re-

conding with incredulity to re-

oris that the tape recordings of a

ession with his jailers had called

to question how complete his ac-

ant of his arrest and detention

[la his book, "Prisoner Without Name, Call Without a Number,"

hich was published in the United

lates two months ago, Mr. Timer-lanistates that he was arrested in

pol 1977, because his newspa-

er, La Opinión, had been publish-

ig the names of people who had hisappeared and were evidently anguard and killed by units of

in a telephone interview from

home in Israel, The New York

mes reported Mr. Timerman as

at to national security. Those

isions, he said, were all reached

publicized while he was a pris-

dr. Timerman also expressed attence with repeated reports

he has said he was arrested use he was a Jew. "I never said

as arrested because I was a

he said. "I make that clear in

book. I was arrested because

newspaper was fighting for an rights. But once I was in

I was treated differently be-

Graiver an Owner

d by the Argentine govern-at for allegedly "laundering"

of Mr. Tunerman's newspa-La Opinion, was being investi-

som money taken by leftist

rrillas known as the Mon-

rney of embezzing tens of mil-s of dollars from his own bank,

The that it seemed incredible to

Le press." He said an Argentine

hary tribunal and two Argen-Supreme Court decisions had conf accusations that he was a

: ;e I was a Jew."]

Fig. Carlot State Who owned 45 per-

he Argentine government.

The Graiver Connection

BUENOS AIRES — Police tape

tion. The military remains firmly

Until now public criticism from labor, business, farming and politi-cians has centered on the government's management of the economy. For the first time, however, critics are turning their attention to the continued military rule.

"The current process is totally lost," said former Sen. Vicente Leonidas Saadi, a Peronist leader, "because it is based on illegitimate claims, because of its repeated vio-lations of human rights, its general corruption...the lack of moral authority... and a power vacuum."

Public apprehension is reflected in the crowds that have packed the narrow streets of the financial district here over the last several weeks to buy and sell dollars, cre-ating wild exchange fluctuations, The peso began 1981 at 2,000 to the dollar and closed Friday at

Each of the last three major devaluations was debated for days within the government, and leaks and rumors undermined their effectiveness. Both Argentine and foreign businessmen are delaying major investment decisions.

An auto workers strike last month in which more than 1,100 were detained and later released added to tension. The unions, the strongest organized power outside the military, had been quiet for five years.

Demands grow daily for the re-lease of former President Isabel Perón, widow and successor of Gen. Juan Perón who was overthrown by the military and has been under house arrest. "If there were an election tomorrow," a sen-ior officer said, "Isabel would

Even ordinary citizens who once either supported the military or were afraid to speak have turned angry. "The only resolution for

Newspaper Columnist

ken several times about rumors

that he was about to be taken into custody but that Mr. Timerman

Mr. Timerman's charges that

widespread anti-Semitism exists in

Argentina have led to a major de-

bate in the United States on

human rights. The charges are

widely viewed as having played a

role in the Senate Foreign Rela-

tions Committee's rejection of Er-

nest W. Lefever as President

Reagan's nominee for assistant

secretary of state for human rights

On the tapes, Mr. Timerman re-

counts a talk that he had with Mr.

and humanitarian affairs.

had refused to leave the country.

this country is to close down the military school," said Pedro Yusef, a 53-year-old truck driver who asked to be quoted by name, "I know what the military did to the terrorists and to those who were not terrorists," he said, referring to the thousands of people who have been killed or disappeared. "I do not not care, I am not scared."

Viola Speaks Out

Gen. Viola, who retired as army commander two years ago and suc-ceeded Gen. Jorgé Rafael Videla as president three months ago, had been mostly silent, but last week he began to hit back. In a speech, to provincial governors, he warned that the regime will not tolerate outbursts and said the country is experiencing a crisis that had been foreseen in what the military calls its national reorganization process. its program to restructure the country's economic and political

Jara, who now lives in Rome. Mr. Jara, he recalled, had said that Mr. Timerman had never talked about Mr. Graiver.

Mr. Timerman said he replied by saying that "the investigation" of Mr. Graiver is "also going to arrive to me, but I am not going to leave the country, because I want to definitely clear up this thing."

On Thursday, in the first response by a military officer men-tioned by Mr. Timerman in his book, Gen. Ramon J. Camps, retired, said in a magazine interview that he had ordered Mr. Timerman's arrest solely because of the Graiver connection.

Brazil Military Court Jails 2 Journalists

The Associated Press PORTO ALEGRE, Brazil Two Brazilian journalists were imprisoned here after a military court convicted them of publishing secret army documents about guer-rilla battles during the 1970s, a spokesman for the alternative newspaper Coojornal said Satur-

day.
The documents published by Rafael Guimaraes and Osmar Trindade in Coojornal outlined the army's record against small guerrilla bands that operated in Brazil during the years of greatest repression by the military regime that took power in a 1964 coup.



Jacobo Timerman

not mention Mr. Graiver or the Graiver case. Mr. Timerman has said that because he was never charged with any crimes, either connected with Mr. Graiver or not, he did not think it was necessary mention the financier's name. Mr. Timerman was cleared by a military tribunal, but the charges against him were never specified. However, critics in the United

States and some Jewish spokesmen in Argentina have said that Mr.

Proposals for Active U.S. Military Role In Law Enforcement Arouse Opposition of the competing versions as to Force as a posse comitatus or other

New York Times Service ... WASHINGTON - Proposals to

involve the armed forces more ac-tively in stemming the huge flow of illegal drugs and illegal aliens into qualified endorsement of the Justice Department and may result in potentially far-reaching legislation

But the proposals have aroused concern and opposition among two unlikely bedfellows, the Pentagon and the American Civil Liberties Union, as well as among civil libertarians, including former Sen. Sam J. Ervin Jr. of North Carolina, who are concerned about the American tradition of keeping the military separate from routine law

Supporters of a more active mili-tary role in combating illegal drug traffic assert that the nation's vast military resources and manpower could be of major assistance in stemming violent crime or condi-tions which contribute to it," in the words of a report by the Attorney General's Task Force on Vio-

The Senate and the Armed Services and Judiciary committees of the House have all approved proeros. Earlier, in the United as, Mr. Graiver had been used by the Manhattan district posals to authorize and encourage greater military assistance to civilian law-enforcement officials.

erican Bank & Trust, preciping its bankruptcy.

All three versions provide for sharing military intelligence and equipment, but there is consider-

whether military personnel should erwise to execute the laws." A posbe authorized to operate equip-ment used for law-enforcement lante group summoned by a sheriff purposes or to participate in ar-rests, searches and seizure.

Table group summinded by a sperifi-or lawmaker to help keep the peace, as in a riot.

dolph W. Giuliani has approved proposed legislation authorizing the use of military personnel to assist law-enforcement agencies by operating ships and aircraft on missions outside the United States aimed at seizing drugs and arresting smugglers, and on missions anywhere aimed at surveillance of air and sea traffic.

Mr. Giuliani's position, explained in a June 8 letter to Rep. Peter W. Rodino Jr. of New Jersey, the Democratic chairman of the House Judiciary Committee, differs in some respects from that taken by the Defense Department's general counsel, William H.

Legislation Opposed

Mr. Taft has opposed new legis-lation that would involve military personnel in tense or violent confrontations, which could arise if the crews of naval vessels or military helicopters accompanied lawenforcement officials seeking to make arrests or seizures.

Broader concerns have also been raised by Defense Department officials and civil libertarians. They fear that any erosion of the long tradition of keeping the armed forces out of routine law enforcement, embodied in the Posse Comitatus Act of 1878, could detract from military preparedness, blur the historic separation between the military and civilian government and threaten civil liberties.

"The military forces should never be used for law-enforcement purposes, even for the purpose of suppressing the drug traffic," Sen. suppressing the drug trairic. Sent. Ervin wrote in a June 2 letter to Rep. William J. Hughes of New Jersey, Democratic chairman of the Judiciary subcommittee on crime. Sen. Ervin recalled such past abuses as the widespread spying on civilians by Army intelligence agents in the 1960s.

The Posse Comitatus Act in its

The Posse Comitatus Act in its present form makes it a crime to

2 Foes of Marcos **Jailed by Police**

MANILA — Military police have arrested two opposition leaders in the eastern Philippines on orders of President Ferdinand E. Marcos, opposition lawyers have

J. Antonio Carpio and Grace Vinzons Magana, ranking officials of the Movement for Independence, Nationalism and Democracy, were held on unspecified charges, the lawyers reported Saturday. At a rally the movement staged last month, four of about 4,000 marchers advocating an election boycott were shot and killed by soldiers.

Published reports said that Mr. Carpio and Mrs. Magana were taken to a military stockade in Legaspi. They were reportedly detained as they prepared for a rally Saturday at a park in Dact.

The law's limitations have been applied to the Navy by internal rule. Congress has carved out many exceptions to the law in the past, including suppression of insurrections and other civil disor-

The law has also been interpret-ed to allow such incidental forms of military cooperation with law enforcement as letting Drug Enforcement Administration agents ride along on military training flights and in radar planes to look for low-flying aircraft smuggling

drugs.
The special advisory group's report recommended that the attorney general ask the Navy to help detect airborne and waterborne drug traffic," as he is authorized to do under current law.

The Defense Department favors provision passed by the Senate that would clarify the authority for the armed forces to provide civilian law-enforcement officials with information, equipment, facilities and training but would not author-ize use of military personnel to operate equipment on missions involving arrests and seizures either inside or outside the United States.

China Chooses Two Bishops for Nanjing, Suzhou

PEKING - China's independent Catholic church has elected bishops to head the vacant dioceses of Nanjing and Suzhou following its latest dispute with the Vatican, the Chinese news agency

reported on Sunday.

The agency said that the Rev.
Qian Humin and the Rev. Ma Longlin were elected bishops of Suzhou and Nanking at a meeting of the Patriotic Catholic Association and the Church Administrative. Commission in the eastern

province of Jiangsu on Saturday.

The Chinese church broke with
the Vatican in 1957 in order to survive under Communist rule. It has consecrated its own bishops and priests without referring to the Holy See. But four weeks ago Pope John Paul II appointed Archbish-op Dominic Tang to be archbishop of the southern province of Guangdong without consulting the Chinese church.

The government in Peking denounced the appointment as interference in China's internal affairs and Archbishop Tang, who is now in Hong Kong, was dismissed by the Chinese church from his post of bishop of Canton.

The news report said the two new bishops were chosen to fill va-cancies left by deceased predeces-sors. It added that the Patriotic Catholics' meeting expressed support for anti-Vanican church statements over the Tang affair and for his removal as bishop of Canton by the Chinese church on June 22.

La Prensa, a conservative and independent newspaper, has be-come very critical of continued military rule. One of the newspaper's columnists was attacked as he returned home recently. Five auto union leaders were held in jail several days after the strike and the police have stationed patrol cars outside some unions. Police also raided a political meeting at a central hotel and arrested more than 60 leaders from

various parties, although all were released several hours later. The military has been determined to prevent the rise of another dictator like Gen. Perón, in part because of the current rivalry among generals and admirals. Gen. Viola is ambitious and many in the military are alarmed by his flirtation with the Peronists.

Gen. Viola was chosen president by the junta of three service chiefs after fierce internal bickering. Considered a master of compromise and shrewd infighter, he built quiet contacts to many union and political leaders and many civilian leaders believed he would lead the country back to democracy.

Blue-Collar Voice

Shortly after his inauguration he indicated that he might seek the cooperation of the Peronist party, which remained the nation's largest party and the voice of the bluecollar workers although fractured and largely leaderless since the death of Gen. Peron in 1974. Many military men, however, hope to dismantle the Peronist organiza-

Gen. Leopoldo Galtieri, the army commander, publicly warned that it is the junta, not Gen. Viola, that holds final power. In a tough Army Day speech two weeks ago Gen. Galtieri said, "The ballot boxes are still well guarded." The limits on Gen. Viola's pow-

er were underlined two months ago when the army on its own closed the border with Chile and called a partial mobilization after the arrest in Chile on spy charges of two Argentine military officers and their wives. Gen. Viola, the foreign minister and the other service chiefs were notified of the action several hours later.

Gen. Viola's patient, backroom style does not lend itself to a dynamic public image that many critics say the government needs. But he may be finding strength in weakness. The navy and the air force, fearful that the army may replace the president with a stronger general, have begun to rally to his support.

A group of admirals released a statement recently asserting that the military's rule cannot be considered indefinite, a rebuke to Gen. Galtieri in the euphemisms of Argentine politics. Both Gen. Viola and Gen. Galtieri have backtracked to a degree. The president three-year term is up in 1984, he will probably be replaced with another military man.



SALUTING THE FOURTH - A youngster cringed behind a gunner dressed in an American uniform of the 1812 era as salutes were fired in New York marking U.S. Independence Day.

Tensions Ease as Atlanta Counts 44 Days Without Mystery Death or Disappearance

By Wendell Rawls Jr. New York Times Service

ATLANTA — The suspect in one of the 28 murders of young blacks here has been sitting alone in a jail cell for almost two weeks while Atlanta counts the days that pass without another mysterious disappearance or death.

Investigators continue to pursue leads that they hope will tie Wayne B. Williams more directly to the murder of Nathaniel Cater, 27, a day laborer. Technicians, meanwhile, have been searching for additional microscopic evidence.

While highly placed law-enforcement sources say that the case against Mr. Williams is no stronger than when he was ordered last week to await a grand jury deci-

Prisoner Ratio Seen Highest in S. Africa

JOHANNESBURG - South Africa has by far the highest per capita prison population in the non-Communist world, the National Institute for Crime Prevention and Rehabilitation said here.

In a survey published during the weekend, the institute said that South Africa has 440 prisoners for every 100,000 inhabitants. The survey said that, according to availchided Kenya, 165; Israel, 137; Ivory Cosst, 130; Finland, 101, and Britain, 75.

There can be no denial that police and citizens alike place signifi-cance on the 44 days through Sat-urday that had elapsed since Mr. Cater, the most recent victim, disappeared - the longest span without a mysterious death in more than six months. Since the first of this year 11 young blacks have been killed, and during one stretch in March the deaths were occur-

ring every five days. Although such officials as Lee Patrick Brown, the Atlanta public safety commissioner, insist that the search for a suspect in the other cases remains intense, the signs of reduced tension in the city are evi-

Since the arrest of Mr. Williams on June 21 there has been a reduction in the FBI force; the Fulton County Police Department has reassigned the two officers it placed on the special task force of local investigators; DeKalb County — where five bodies were found has reassigned one of its two task force members as well as about one-third of its homicide detectives, and officials in the nearby township of East Point - where four bodies were found - say they are considering reassignment of

their task force representatives. Mr. Brown, whose Atlanta police officers make up about 100 members of the task force said the task force now is to make another arrest. He reiterated his longheld position that he does not be-

sion, they say also that it has not weakened. lieve one person is responsible for all 28 homicides.

In other developments, a law-enforcement source said the manager of a recording studio told investigators that one of the other victims had visited the studio with Mr. Williams on two occasions, and parents of at least two other victims have said recently that their sons were associated with the sus peçi.

Earlier last week, the Committee to Stop Children's Murders, which has been collecting money from across the country for almost a year, submitted a partial financial report to the state's Office of Consumer Affairs, saying that more than \$30,000 was collected and about half of that given to families of the victims.

Catalan Communist Is Dismissed by Party

The Associated Press BARCELONA - Pere Ardiaca, an outspoken supporter of pro-Moscow political guidelines, has been dismissed as head of the Catalan Communists, the Unified So-

cialist Party of Catalonia. Communist sources said that be-fore the Catalans' secret 58-33 Central Committee vote Mr. Ardiaca had refused to support the Eurocommunist line that is followed by Spain's Communist Party. Thr. Europe. The Central Committee also increased its membership by five, all Eurocommunists.

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Jeddah and Gizan.



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OW HEAR THIS — Linda Moriarity of La Salle, Ill. her unborn child to some music from the earphones sette tape player during a hunch break. Mrs. Moriany said that her baby definitely responds to the sounds.

Page 4 Monday, July 6, 1981 **

The Two China Parties

Ostensibly a one-party Communist state, China in some respects has the equivalent of two parties. Both believe in modernizing China and protecting it from outside harm, but they take sharply different approaches. One party, personified by Mao Tse-tung, who died in 1976, believes in a domestic policy based on exhortation, sacrifice and discipline and a foreign policy based on balancing off China's foes. The second, led by Deng Xiaoping, the current party vice chairman, follows a domestic policy leaning more to incentives and decentralization and a foreign policy leaning more to foreign friends, including Japan. Europe and the United States.

Mr. Deng's party has just won a striking victory. A protegé has replaced Mr. Mao's chosen successor. Hua Guofeng, as party chairman, and Mr. Deng himself has taken the Mao man's second hat as head of the party military commission; the Mao line has been condemned. But it is not a complete victory. Hua Guofeng remains in a position to fight another day, as do the thousands of party aides and the millions of party members who are loyal to him, to their own status and habits, and to the Mao heritage of permanent revolution.

In its ascent in the last few years, the Deng party has won broad favor in the West. For its greater openness to certain - not all foreign ideas and ways, it has been praised as

pragmatic and moderate. Recently, China bravely opened its books to the World Bank, from which it now seeks large (concessional) loans. It has also been seeking new ties with foreign private capital. For the first time the Communist regime has swallowed its pride and invited international relief to cope with drought and flood. Just the other day, it opened up a new pipeline to the Pentagon. Internally, it has been relaxing central controls and offering selected incentives to spur growth and boost productivity. The spectacle of a friendly socialist country, one making capitalist-type reforms and cooperating strategically, too, is a sight for sore Western eyes even Ronald Reagan's.

There is just one big hitch, and all the players know it. In a vast, poor, underdeveloped country like China, moderation and pragmatism have their limits. Extra consumption may rob funds from investment. Incentives may sharpen class and regional divisions. Loosening of controls may erode party control. Opening up to foreigners may attract fewer resources and more cultural germs than the authorities count on. Mr. Deng can cite the Cultural Revolution and much else to prove that the Mao way is a disaster. But will the Deng way work, as the West has every reason to hope? Mao's heirs are watching.

THE WASHINGTON POST.

Black Voting Rights

When it comes to voting rights, President Reagan told the convention of the National Association for the Advancement of Colored People last week, he stands foursquare behind the right of all Americans to cast a secret ballot. That isn't much of an explanation for why he hasn't taken a stand on extending the 1965 Voting Rights Act.

The attorney general is carefully studying the way the law has worked, the president said. Meanwhile, he wanted the convention to know that he regards voting as "the most sacred right of free men and women." The nation cannot "sit back and permit a barrier to come between a secret ballot and any citizen who makes a choice to cast it."

We hope that when Mr. Reagan's aides report on their study, they will explain that anything less than renewal of the act will constitute sitting back. Trickery at the polling place can still rob individual minority members of their ballot. And, much more efficiently, so can racial gerrymandering and

rarely work now: The Voting Rights Act requires certain states and counties to pre-clear such changes with the Justice Department. And the burden of proof is on the jurisdiction, not the black voter, to prove that the change is not racially discriminatory.

Mr. Reagan seems determined to show that he is not behind schedule. What's wrong with studying the law's effects? After all, it doesn't expire until August, 1982. What's wrong is the Senate's dilatory ways. A House subcomittee, mindful of that, has had its hearings and is nearly ready to mark up a renewal bill. But the president says he doesn't need the attorney general's report till

Mr. Reagan could be further behind. He could have lined up with Senate rightwingers who denounce the law and won't be persuaded by any study. But he is behind. A key House Republican, Rep. Henry Hyde of Illinois, has heard the testimony and relaxed his opposition to the pre-clearance provision. Some Southern Republican leaders say they can live with the law for another ten years. Sen, Barry Goldwater of Arizona has now embraced renewal.

It shouldn't take Mr. Reagan three months when he does, he will realize what his pledge to the NAACP means: The decent thing to do is lead the charge for renewal.

THE NEW YORK TIMES.

International Opinion

On U.S. Foreign Policy

One of the qualities of United States foreign policy for which its allies look most eaerly is consistency of purpose and practice. Consistency has been evident in one theme that has been present, though sometimes rather too simplistically, in all the Reagan administration's thinking on international affairs: a determination to be tough toward the Soviet Union. Against that must be set more than the expected quota of confusion in action, and a number of areas where anything worthy of the name of a foreign policy has still to be developed.

The administration has been especially uncertain in its response to the Israeli raid on Iraq's nuclear reactor. The United States government was inevitably caught between the conflicting pressures of international opinion and the Jewish community at home. But the way in which it handled those pressures was evidence of an administration in which the making of foreign policy is not properly coordinated. That impression is confirmed by the inability to produce an adequate policy at all in such critical areas as Africa and the Middle East. Nor is there confidence or clarity about American intentions in Europe.

- From The Times (London).

The Carrington Mission

Although the present acute degree of East-West tension was not created solely by Afghanistan, the Soviet intervention there marked the beginning of a new phase of cold détente. The Soviet Union's refusal to withdraw its forces, in face of almost universal condemnation by the non-Communist and nonaligned world, and indeed by some Communist parties, has been a serious barrier to improvement of relations in other fields above all in nuclear arms control and disarmament. Nothing would contribute more to a resumption of SALT and negotiations over

Euro-missiles than a Soviet willingness to withdraw from Afghanistan, whose independence and nonalignment were guaranteed against all external interference.

the prospects of such an agreement, or even of the holding of a conference as proposed by Lord Carrington, are not bright, but there have been some encouraging

- From The Observer (London).

Chinese Uncertainties

There are indications that Mr. Deng and his followers decided, on tactical considerations, not to strengthen the notion that they wanted entirely to repudiate the nation's Maoist legacy. All this suggests a compromise to bring about a truce in China's struggle for power, notwithstanding Mr. Deng's dismissal of the very idea of such struggle. There must, therefore, remain some uncertainty about both the cohesion and the direction of the new regime.

- From The Statesman (New Delhi).

Mao's Achievement

While Mao's policies and the associated economic chaos certainly led to the deaths by violence and starvation of hundreds of thousands, even millions of Chinese, he was not, like Stalin, a psychopathic and deliberate mass murderer, concerned only to exterminate all potential centers of political opposition and lacking totally any concepts of social reform. For all his gigantic failings. Mao Tse-tung will have a lasting place in history as one of the makers of the twentieth centu-His pragmatic successors will discover just how difficult it is to move such a backward and decentralized nation of more than one billion souls in any new direction. It will be against their progress, or lack of it that Mao's achievement in creating a modern China will be measured.

- From The Guardian (London).

In the International Edition

Seventy-Five Years Ago

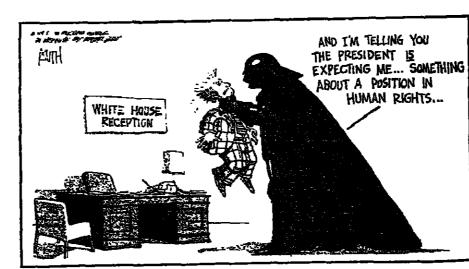
July 6, 1906

NEW YORK - The attack made upon American cigarettes before the British House of Lords Committee is not taken very seriously by manufacturers here, in view of the manifest falsity of the statements regarding factory conditions and the actual extent of anti-cigarette legislation in the United States. The assertion of Mr. Edward Gaston, of Chicago, that the American cigarette is worse than canned beef causes only smiles. Mr. Allen, of the British-American Tobacco Company, said that the allegations that American cigarettes were filled with deleterious matter were preposterous. He added that few American eigarettes went to England, but those were of

high grade.

Fifty Years Ago July 6, 1931

WASHINGTON - "Scarface" Al Capone has extended his territory from Chicago to embrace one-quarter of the United States, according to federal agents who uncovered activities of the Capone vice and liquor ring leading to indict-ments to which the gangster recently pleaded guilty. Capone's operations now extend as far as New York to the east, Minneapolis and Detroit to the north. Omaha on the west and Tulsa and Hot Springs to the south. Telephone records made available to the federal agents show that hundreds of towns in this territory receive liquor supplies from the Capone syndicate. Numerous small gangs do the actual distributing, but Capone collects a tribute paid on every gallon sold.





Does the U.S. Have a Foreign Policy?

The Early Record Is Defensible

In the Gulf region, rebuilding is

also under way, starting with a

long-overdue commitment of arms

to Pakistan. Repairing this breach in a vital strategic area was a ne-

cessity. It opens the way for Paki-

stan's re-entry into area politics,

Carter rapid deployment force

carefully avoided.

By William G. Hyland

The writer, formerly deputy assist-ant for national security to President Ford, is joining the Carnegie Endowment as a senior associate. He wrote this article for The Washing-

WASHINGTON - The W Reagan administration is about to suffer the fate that befell the Carter administration after its first six months. Then, in mid-1977, the pundits decided that Carter couldn't cope. After that his foreign policy was an uphill strug-gle until the Middle East peace treaties offered respite. Now it seems President Reagan's foreign policy is about to be dismissed as nonexistent or incoherent

But there is a Reagan foreign policy, and it is reasonably sound. It includes a judicious blend of continuity and new departures. Important building blocks are al-

ready in place.

The foundation stone is the return of Soviet relations to the core of U.S. policy. This is where it belongs, given the growth of Soviet military power, Moscow's ambi-tions and its reckless conduct. Despite salty language and questionable historical judgments, the administration's dealings with Moscow show a sense of balance.

Contacts between Secretary
Haig and Ambassador Dobrynin
are proceeding more or less regularly in preparation for negotiations during Foreign Minister Gromyko's visit to the United Nations in September. The grain embargo has been lifted. The SALT process has not been killed, nor have previous agreements been repudiated Careful preparation for any nego tiation is important.

Defense

Linkage has been revived, but with an element of flexibility. The crisis has been handled firmly. The administration has opened the line to Moscow but has Alghanistan status quo, but without inviting confrontation.

Defense policy must also be counted in any reckoning of the Reagan foreign policy. The Reaganites know congressional and public opinion is fickle: In two or three years, defense increases will face a political backlash. So the administration has wisely capi-talized on pro-defense sentiment but has also had the good sense patiently to re-examine some blockbuster decisions on the MX and a pomper. new documes are not being proclaimed, but some serious re-examinations of options in conventional and nuclear strategies have begun. The initial apprehension in Eu-

rope that the new administration would be hell-bent for cold war confrontation is dissipating. A key decision was made in May at the Rome meeting of NATO, where Secretary Haig reaffirmed the original double track of December, 1979, to deploy new U.S. nuclear weapons in Europe but also negotiate with Moscow. Eventual nego-tiations will be a nightmare, but a display of continuity and unity was an indispensable start for a much-needed re-examination of basic security policies in Europe. Moreover, Europe is in turmoil. and trouble is coming. The Com-munists are in the French govern-ment for the first time in 34 years; this is not a minor ripple but a dangerous precedent. The Christian Democrats in Italy have given up the premiership for the first time in 26 years, perhaps opening the way for another leftward shift, A pacifist movement reminiscent of the 1950s has reappeared with a vengeance in northern Europe. It was a misguided movement 25 years ago and is even more danger-ous now. Poland could blow up and force some painful decisions for the alliance.

Diplomacy

Now is obviously not the time for super-activism in European policy, but rather a time for careful tending to the bread-and-butter issues of defense and security and for building a consensus — which is exactly what the administration has been trying and should contin-ue to try at the Ottawa summit which, incidentally, should be expanded to include security issues

as well as economics in the Far East there have been some rough spots with Japan, but the hectoring of Tokyo over de-fense and trade seems to have been fense and trade seems to nave ocen-brought under diplomatic control. And the Haig China trip con-founded those who predicted a dis-astrous end to the China policy of the Nixon-Ford-Carter years; indeed, the willingness to sell arms is a logical extension of policy, not a radical break, and the commitment remains flexible. This proved for-tuitous, since China is obviously in the threes of another internal political upheaval and foreign policy experimentation. Haig took out some necessary reinsurance.

In the Middle East, the problems are more intractable, and the record is thus a mixed one. On the one hand, the administration has skillfully negotiated two crises.

ress. Quiet diplomacy has as good a chance as United Nations The Habib mission was an inspired stroke and has worked. The olustering or abstract moralizing. roken-field running on the Iraqi Moreover, a commitment of more nuclear crisis was also adept. Throughout, the administration than \$200 million in aid to Robert Mugabe's Zimbabwe scarcely qualifies as rightist extremism. The test, of course, will be the Namibihas maintained lines to the moderate Arabs, including rebuilding re-lations with Morocco. On the other hand, openly collaborating with Iraq at the United Nations an settlement, and the administration has wisely reviewed the doomed UN approach and raised the question of Cuban forces in was disquieting, if not disgusting, and selling AWACS to Saudi Ara-bia is badly timed, if not ill-Angola, which ought to figure in any genuine settlement.

Careful

Central America and the Caribbean remain areas where the record is also mixed. El Salvador was too quickly inflated and then too easily deflated. The issues are deadly serious: In Nicayagua, El without having to look over its shoulder at the Khyber Pass. Meanwhile, the plans for the Salvador and perhaps Honduras and Guatemala there are dedicated enemies of the United States. That needs no new documentation.

have been fleshed out, but exten-In sum, the administration has a sive new commitments are being foreign policy that hangs together. Even African policy, which Reagan's critics are primed to attack, has been shrewdly balanced. There has been a new respect ac-Its connecting tissue is a prudent conservatism, wary of new commitments, a little ragged in style and rhetoric, but careful in praccorded to South Africa, but this is tice. Not a bad approach in an increasingly turbulent world. the key to any real political prog-

• Reagan Needs Time

By Philip Geyelin

tration demanding a Foreign Poli-cy. A "major loreign policy speech" would help, or even a Reagan Doctrine. Then, the critics cry, we would have an honest-to-goodness Great Debate on foreign policy. In the end, everybody would know what to expect of the

United States.
It is a beautiful thought, appealing to orderly minds. Look here, say those who yearn for coherence, at what Secretary of State Haig said on his China trip, and at what the president said in his press con-ference, and at what Defense Sec-retary Caspar Weinberger said on a talk show and at what Ed Meese the White House adviser said, trying to tidy up. It doesn't hang

together.
But the reasons why it doesn't are the very reasons why a speech cannot a foreign policy make. It works the other way around.

True, a White House call on the principal foreign affairs advisers for presidential speech material does concentrate the mind; it can have a therapeutic effect on internal conflicts. The final product

WASHINGTON — Suddenly it's all the rage to pound on the doors of the Reagan administration of the Reaga

a decision-making procedure that brings the freewheelers into line with the president's purposes. Once that is done, a "foreign policy" will emerge by an extrusion process in which the hot metal of competing proposals is forced by competing proposals is forced by political, bureaucratic and, above all, presidential pressure through

the die of crises and conditions around the world.

The merging shapes and patterns may some day deserve to be enshrined as Doctrine. But from all the available evolute the base of the state of the st Reagan administration is a long way from being ready for that day. No matter: History argues for un-derstanding and patience all

Remember the pulse-racing Kennedy in ugural address: "We missile crisis and countless other encounters with the real world to produce Kennedy's truly memora-ble American University speech. laying out a balanced and mea-

sured foreign policy approach two years later, in June, 1963.

Only a handful of brave senators questioned Lyndon Johnson's Tonkin Gulf resolution - a Fignouncement of high policy that became the basis for escalation in Vietnam. Jimmy Carter spent 2 full term trying to explain what he really meant in his maiden foreign policy speech at Notre Dame carl; in his first year.

Doctrines

In the current issue of Foreign Policy, former Undersecretary of State David Newsom castigates the Carter Doctrine's threat of "military force" if necessary to protect the Gulf as a policy growing out of "last-minute pressures for a presidential speech." He adopted by congressional resolu-tion, as a model of how to proceed.

But that, too, was a rush job with sweeping implications: "Overt armed aggression [in the Middle East] from any nation controlled by international Commu-nism" would be resisted by "the armed forces of the United States." As with the Carter Doctrine, there was no real military force to back it up. Only by playing fast and loose with the facts did its ultimate invocation in Lebanon fit its terms.

The Nixon Doctrine, spelled out by its author at an unrehearsed background press conference at the end of a long day on the island of Guam, had a short shelf-life. And Nixon, by that time, had just one real foreign policy adviser. Henry Kissinger, in whom he reposed much trust.

Reagan has a cast of, well, three or four, of distinctively different persuasion. He has, in addition, his own instincts and predilections on Taiwan, Arab "refugees," the international Communist conspiracy and the power of pure patriotism to muster, without a draft, all the manpower his defense buildup will demand. They do not add up to a foreign policy fit for current con-

sumption — or events. Soon enough, the president will have to bend his principal aides to his purposes — or replace them. But first he's going to have to settle on his purposes. Given where he's starting from, I hope he has as many firsthand encounters with foreign dignitations or he can find foreign dignitaries as he can fit in, and goes right on dispatching en-voys around the world. Events per-

mitting, I hope he takes his time. 61981, The Washington Post. respect for human rights.

O1981, The New York Times.

A Lost Chord: Positive Purpose

By Flora Lewis

the indifference or withdrawal of

youth from conventional public

debate. And it is a tangible factor

in the widening chasm between American and West European

opinion on the meaning and prop-

er direction of the alliance.

STRASBOURG — Rep. Milli-cent Fenwick, the New Jersey Republican, has turned yet another conference on European-American relations into an important sounding board.

The talk here had droned through the usual themes last week about missiles and interest rates and the Soviet menace, and gone on to what some now consider the tiresome issue of human rights.

Mrs. Fenwick spoke up, loud and clear. She is a remarkable woman, slimly elegant, her bluegray hair perfectly groomed, a picture of what I imagine in the poshest New Jersey country clubs until she puffs thoughtfully at her pipe for a moment and then raises

Fear

"Why are we building these awful weapons? What for?" she said. The last Soviet doctor who denounced the use of psychiatric wards to punish political prisoners is now in jail. We don't want to live like that. People don't die for a second washing machine. But they die every day for ideas. Human rights, the right to dissent, the right to speak and publish - that's what we want to defend and we must say so."

The point seemed astonishingly fresh. It suddenly drove home the fact that for some time now we have been talking a lot about opposing Soviet expansionism, opposing government regulation, opposing waste, opposing this and that. But we haven't heard much about what we are for, what be-sides fear holds the free community together.

Rep. Fenwick argued the need to articulate the goals of Western society, to offer the young something to defend besides their paychecks. It struck a chord.

Aurelio Peccei, the mild-mannered scholar who was a cofounder of the Club of Rome, pointed out that our modern countries have developed an amazing technology in many fields. But our culture, our attitudes, most of our arguments are from another age of struggle and no longer apply to modern problems.

"Where do we want to go? We talk in the terms of the past and we have lost the sense of the future."

There is a terrible silence at the top these days when it comes to telling people why they are being asked to make sacrifices and what free society is about. That lack of expressive clarity on our purposes may be an important factor in the rise of fundamentalist religions everywhere. Certainly it is a major factor in not yet been turned to this necessary expression of goals. That is the element of leadership which the allies seek from the United States, not just more rockets and muscle. It is the element which the United States provided in the past and which did rally hopes and energies around the world.

Somehow, abuse, sentimentality

and hot air have managed to turn

the great phrases expressing free-dom into apparent platitudes, and

given human rights a shopworn,

mpractical name. Righteousness

But it is not moralizing to de-clare cherished values and the re-

solve to strive for them. It is not

unrealistic politics or diplomacy to

name the positive purpose of our

efforts. On the contrary, open ad-

vocacy of humanism everywhere

and open indignation at its denial anywhere is probably the only way

Rep. Fenwick touched a central

roblem of our times in pointing

to the need for some freshly "pas-sionate intensity" on the side of

the conviction that liberty means

those efforts can be sustained.

is provoked revulsion.

There has been a good deal of noise about neutralism in Europe. Over 100,000 people gathered in Hamburg last month for churchsponsored discussions on peace and rejection of new American In West Berlin, a free but isolat-

ed enclave surrounded by a Communist state, some 8 percent voted for the "alternative" list in recent elections. That is, they rejected all the parties and conventional politicians but they didn't abstain. They went to the polls and sent a mes-sage which said in effect, "No to all of you, you give us no reason to

support you."

Rep. Fenwick quoted a stanza
by William Butler Yeats to add resonance to her plea for a re-newed statement of basic principles to which we can acknowledge dedication.

Things fall apart. The center Mere anarchy is loosed upon the

The blood-dimmed tide is loosed and everywhere The ceremony of innocence

The best lack all conviction

and the worst

Are full of passionate intensity.

This is not self-flagellation, the debilitating criticism which the tide that sent Ronald Reagan to the White House sought to halt. It is a call for assertion not of toughness or belligerence but of stirring

Strangely, President Reagan's great skill in communicating has

ENTERNATIONAL Heralden Tribune

Arthur Ochs Salz Co-Chairmen

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Rioting Shifts Moroccan Focus From Sahara to Internal Unrest

By James M. Markham New York Times Service

CASABLANCA, Morocco -At a moment when Morocco's six-year-old war in the disputed Western Sahara is finally going well, King Hassan II's country has suddenly exploded.

Last month, a general strike called to protest the sharp rise in the prices of basic foods degenerated into rioting that drew thousands of youths from the shantytowns encircling Casa-

olicy

Roaming mobs stoned buses and assaulted symbols of wealth: banks, pharmacies, gro-cery stores and sleek automo-biles.

On the verge of losing control, police and military units fired into the crowds. The government says that 66 persons were killed. none by gunfire. The opposition Socialist Union of Popular Forces says the death toll was 637, most of them children and teen-agers from the slums, and says almost all were killed by builets.

Few people believe the gov-ernment's assertion that the deaths were caused by knives and stones, and many find the Socialists' number high. The figure of 200 dead is mentioned as

Food Price Increases

The trouble can be traced to May 29, when Premier Maati Bouabid and Finance Minister Abdel Kamel Reghave bowed to pressures from the International Monetary Fund, which at the start of this year lent Morocco \$1.2 billion to improve its sagging balance of payments and to restructure its alarming foreign

Without consulting their Cab-inet colleagues or, it seems, the king, the two men dramatically altered the lives of most Moroccans: The price of butter was raised 76 percent, wheat flour 40 percent, sugar 37 percent and cooking oil 28 percent. The IMF had insisted on lower govern-ment food subsidies.

Even state-run newspapers and the nationalist Istiglal party, which is part of the government, joined the ensuing protests, and the premier retreated, cutting the price increases in half. But the Democratic Workers Confederation, a union federation close to the Socialists, sensed an issue that might help it recu-perate from setbacks in plant elections and called for a general

The union was upstaged by a rival group, the Moroccan Union of Workers, which has ties to Mr. Bouabid and Labor Minis-ter Arsalane Jadidi. It called a strike of its own for Casablanca and the nearby industrial city of Mohammedia on June 18. The strike took place peacefully. The trouble erupted two days later when the Socialist labor federation flexed its muscles in a city apparently ripe for trouble.

Accumulated Rage

Perhaps two-thirds of the city's 3.5 million to 4 million people live in tin or mud huts or other improvised housing. This year the worst drought in several decades has driven 1,200 impoverished peasants a day in from the countryside, seeking shelter with relatives here. The city is believed to be growing by 5.2 percent a year. The June 20 strike call was the pretext that ignited Casablanca's accumulat-

The violence has ended, but the political repercussions continue. Hundreds of people have been arrested — the government says 500, the opposition more than 1,000 — and among them are the leaders of the Democratic Workers Confederation. The main leftist newspapers have been closed.

"Our newspaper has been shut down by the police," said Mohammed Lyazghri, a Socialist member of Parliament. "I, as the editor of the newspaper. have been given no notice of le-gal action. But I cannot go to its

King Hassan's 20-year reign has been punctuated by periods of liberalization followed by crackdowns, and some Moroccans suspect that a new epoch of repression has started. But Mr. Lyazghri noted that riots in 1978 in Tunisia, which faces similar social problems, led to an opening of the political system there.

"We need a truly democratic process and an end to these fabricated trials and the holding of n and free elections," insisted Mr. Lyazghri, who repeated a Socialist complaint that the 1977 parliamentary elections were rigged. "In Morocco now, every-thing is going to depend on the internal front."

Hopes for greater democracy in Morocco, which has more than most Arab nations, depend on a willingness by King Hassan to cede some of his enormous powers to others. But the 52year-old king has skillfully manipulated parties and politicians before, and even his government makes few decisions of its own.

The war in the Western Sahara against the Algerian-backed Polisario guerrilla movement has helped rally the politicians, who from the tiny Communist Party to Istiqlal support Morocco's claim to the desert territory. But an improved Moroccan military position in the Sahara makes it easier for the parties to raise domestic issues.

The cost of the war continues to weigh on the faltering Moroccan economy, which depends on uncertain phosphate exports to



King Hassan II

maintain some sort of equilibrium. World phosphate prices are up, but exports fell this year, aggravating a trade deficit that was already growing because of food imports caused by the drought. The king has just returned from visit to Saudi Arabia, a financial backer of the war, where he is believed to have asked for more money to cover a billiondollar current-account deficit.

On the political front, the next move is up to the king. The Socialists have threatened to walk out of Parliament, and the king has warned them not to. He has, however, always considered his political foes as salvageable and essential players in a game in which he makes most of the rules, and he has distanced himself from his government on the price-rise issue. Some politicians suspect he may soon make a conciliatory gesture toward the

Uganda, in Need of Drugs, Battles Typhoid Epidemic

KAMPALA, Uganda - Medical UN officials said further supplies officials are battling to control the biggest typhoid epidemic recorded n Uganda, with doctors estimating that there are more than 1,000 typhoid cases in Kampala.

Hospital authorities have no exact figures since they are able to admit only the worst cases. United Nations officials said this weekend that one-third of the hospital beds in Kampala were filled with cases by contaminated food or drink.

The problem is compounded by the collapse of Uganda's health services. UN officials said in Nairobi. They said run-down hospitals and dispensaries throughout Uganda lacked dru and even water and electricity. making it impossible to prevent the spread of measles, tuberculosis, dysentery, cholera, tetanus and

The deputy minister of health, Theresa Odongo-Oduka, denied there was a typhoid epidemic in Kampala until she came down with the disease.

Unreliable Water Supply

Doctors say the main cause of the typhoid outbreak is the unreliable water supply system. Tests by Kampala's Makerere University have shown that the disease is spread by polluted springs and wells that serve 25 percent of the city's 500,000 population.

As a result the country is threatened by a wave of epidemics potentially as serious as the Karamoja famine, which killed thousands of people in the northeastern part of the country last year.

Uganda's once excellent sanitation and health care system broke down during Idi Amin's eight-year rule, which was overthrown two years ago, and has not been repeared by the seven-month-old government of President Milton Obote, which is facing dire economic problems.

Locally made fruit drinks, the sale of which was banned several weeks ago after the first typhoid cases were reported, are still on sale although UN experts say tests have shown them to be contaminated and dangerous to health.
The UN Children's Fund has al-

ready airlifted 100,000 doses of typhoid vaccine into Uganda and

. .

would follow. The vaccine was being used to protect the staff of health institutions, schools and food handlers.

Attempts are being made to repair and restore piped water sys-tems. The European Economic Community is financing work on Henrysten theiona more hopata. But officials say it will take months to complete the repairs.

Unicef said it was also ready to provide cement and pipes to protect springs from pollution, if a sanitary engineer could be found THE MOLK

In the meantime, UN agencies are moving emergency medical supplies to Uganda but their work is hampered by anarchic conditions and shortages of fuel and

Tourists Find July 4th No Holiday in U.S.

United Press International
MLAMI — A busload of tourists from Spain and Colombia on its way to Disney World for Fourth of July celebrations was commandeered for 90 minutes Saturday by a man with a butcher knife.

About 15 minutes after the bus started out, the man told the driver that he was on the slowing the bus to let the man off, the man put a knife to the iriver's throat.

Police said that, during a brief struggle between the robber and the driver, the 15 Spanish-speaking passengers

their socks and shoes. Afterward, they were ordered to put their money and valuables on the floor. "It's hard times hard times, man," the robber said before he fled.

Exchange of Guantanamo Strongly Denied by U.S.

By Ellen Hume

House and State Department offinal backgrounds. cials have strongly denied a report se at Guantánamo if Cuba will take back more than 1,200 exiles.

State Department spokesman illegalty, U.S. officials said the Cu-Joseph Reap on Saturday called the report in that day's Washington Star totally inaccurate. He said the United States is vehemently denying the Star's article. White House spokesman Sue Mathis also called the Star story absolutely

She would not completely rule out, however, the possibility that some of the Cuban refugees currently detained at Ft. Chaice, Ark., and Atlanta might be sent to the square-mile base on the eastern end of Cuba, where they would re-main under U.S. guard. She said some action may be taken possibly as early as next week.

Many of the refugees still in custody, who were among an estimat-

ed 125,000 who fled to the United Las Angeles Times Service States by boat last year, have men-WASHINGTON — White tall or physical problems or crimi-

Cuban President Fidel Castro that President Reagan is consider-ing the return to Cuba of the naval lawsuits have been filed to release them in the United States. Although they came to the country illegally, U.S. officials said the Cu-

The Star, paraphrasing a high-ranking administration official, reported that he thought evacuating the Guantánamo naval base would be no great strategic loss to the United States, but would eliminate a propaganda weapon Mr. Castro

has used for 20 years. The Guantánamo base, once a major refueling outpost for ships defending the Panama Canal, is controlled by the United States under a 1906 treaty in return for \$4,000 annual rent. The Cuban Communists have not cashed the rent checks since assuming power, however, and have repeatedly complained about U.S. control of the

The base is largely outmoded because U.S. warships no longer refuel with coal. The Guantánamo base includes a small naval air station, served by 400 Marines and

Press rejected the suggestion.

Michael Kohl, First Representative

BERLIN - East Germany's

deputy foreign minister, Michael Kohl, 51, died Saturday after a serious illness, the East German news agency ADN reported.

Mr. Kohl played an important part in negotiations between East

OBITUARIES

and West Germany in the 1960s and 1970s. He became East Berlin's first permanent representative in Bonn, holding the post from 1974 to 1978.

Luther L Replogle NEW YORK (NYT) - Luther 1. Replogle, 79, who was U.S. ambassador to locland from 1969 to 1973 and the founder and former

Emile Zola Berman

defense of Sirhan B. Sirhan, the killer of Robert F. Kennedy, died

Ross Martin, 61, best known for his role as Artemus Gordon, the master of disguise in the "Wild, Wild West" television series, died Friday of an apparent heart attack after collapsing while playing tennis in 100-degree heat. Born Martin Rosenblatt in Poland, he was brought to the United States by his

News Agency Affirms UN **Payments**

ROME — The news agency Inter Press has acknowledged that it receives payments from UN agencies to write articles on Third World subjects, but said it retains editorial control over the stories.

The Rome-based agency said on Friday without the articles sponsored by UN agencies.

Inter Press denied suggestions that it is biased against the West. "We categorically refute the implication that IPS has links with any particular political sectors and reaffirm its independence of any party or political movement, government, or economic or other interest groups," Inter Press said in a

The Washington Star reported last week that various UN agencies paid \$449,000 this year to the nonprofit cooperative. The Star said this sum was nearly 10 percent of the agency's revenues. The news agency said the agreement with the UN agencies had not been secret.

"The agreements concerned, for the provision of professional services and which commit IPS to writing an agreed number of features on development themes, leave the choice and treatment of stories entirely to IPS, which retains complete editorial freedom - and retains complete editorial responsibility - over the stories

The Fund for Population Activi-ties, the Food and Agriculture Organization, the UN Educational, Scientific and Cultural Organization, and the UN Development Program hold contracts with Inter Press, the newspaper said.

The Star quoted Leonard H. Marks, secretary-treasurer of the World Press Freedom Committee and former director of the U.S. Information Agency, as saying many U.S. journalists believe Inter Press is biased against the West. Inter

"It is completely untrue to suggest that IPS is prejudiced against the West. IPS believes that cooperation between the West and the Third World is needed, to tackle the problems of underdevelopment, as witnessed by the North-South dialogue, rather than confrontation between rich countries and poor," the agency said.

For East Germany in Bonn, Dies

NEW YORK (NYT) - Emile Zola Berman, 78, the trial lawyer whose notable cases included the

They have got him in trouble with influential politicians, some of whom are going public with their criticism of Mr. Sonoda, and there is speculation that he may

not outlast the next Cabinet about communiqués. When the American Japanologist Edwin O. Reischauer made his remarks that got Mr. Sonoda in blockbuster remarks about U.S. trouble. A part of the Japanese ships carrying nuclear arms into press had been expressing similar Japanese ports, most of the government hunkered down waiting

for the storm to pass, as it eventu-Not Mr. Sonoda. He told a Diet (parliament) committee that Mr. Reischauer's remarks amounted to "uncalled-for meddling by an American with big power arro-

Military Issue

A few days later, Mr. Sonoda was asked what he thought of re-ports that the Reagan administration might reduce its financial support of some United Nations or-ganizations. The United States should not carry on like a god un-less it pays its dues," Mr. Sonoda

By William Chapman

By William Chapman

Washington Post Service

TOKYO — In Japanese diplomacy, the normal technique for dealing with trouble is to to emit a great cloud of vague and ambiguous terminology designed to obscure, not heighten, the confrontation with friends or foes.

This is definitely not the style adopted by Sunao Sonoda, the new foreign minister. For the past month, he has been shooting from

month, he has been shooting from

NEWS ANALYSIS

the hip with sharp anti-U.S. state-

ments that have raised eyebrows

around this gossipy capital.

More recently, he has acted the lightning rod in criticizing U.S. tequests that Japan build up its military force more rapidly to help defend sea lanes in the Pacific Ocean. Mr. Sonoda told reporters he could comprehend a request to 'add the second floor to one-story house, but it is out of the question if they ask us to build a 10-story

Then, in Manila for a meeting with U.S. Secretary of State Alexander M. Haig Jr., Mr. Sonoda criticized a communiqué issued in May when Premier Zenko Suzuki met President Reagan in Washington. That communiqué contained the fateful word "alliance" to de-scribe the U.S.-Japan relationship and its military connotations triggered a major upheaval when Mr. Suzuki got home.

Mr. Sonoda told reporters that the communiqué "was not bindthat he was referring to commu- the Act.



niqués in general, not to the one in Washington. Later, in Tokyo, he denied ever making any remark

It was not the substance of those views, and it is doubtful that Mr. Suzuki himself would seriously dis-

agree with their contents. But it is because he made such remarks at all that Mr. Sonoda is being questioned. A Japanese foreign minister usually seeks above all else to minimize disputes with the United States, not inflame them, and he is being criticized not for being unfair but for suspected

Sonoda, Shooting From the Hip at U.S.,

Criticized in Japan for His Outspokeness

"When he made his first re-marks in the Diet, we thought that he was only speaking his mind," said a member of the Liberal Democratic Party. "But since the comments [in Manila] on the communication of the Liberal Democratic Party." niqué, we think that he is just not a

very competent foreign minister."

Such criticism had been kept quietly within the ruling party un-til an influential member, former Foreign Minister Zentaro Kosaka, asked Mr. Suzuki to get Mr. Sonoda to "behave himself

According to an aide, Mr. Kosaka observed that recent U.S.-Japan relations had not been smooth and said that Mr. Sonoda's behavior was not the way to solve the problems. There is a "strong attitude" within the party that Mr. Sonoda's behavior has become a problem, the spokesman said.

Motives Are Puzzling

Mr. Sonoda's motives in unleashing his remarks mystify onlookers. He has a reputation for being outspoken, but during a previous two-year tenure as foreign minister he was known neither as a hip-shooter nor as an anti-Ameri-

"Friendly and cooperative rela-tions with the United States

founded upon the Japan-U.S. se-curity arrangements are the cornerstone of Japanese foreign

policy." he said in a major policy address in 1979.

address in 1979.

His critics within the party privately accuse Mr. Sonoda of playing to the press, which has been unusually critical of the latest round of U.S. requests for a Japan defense buildup.

defense buildup.

Some, however, believe his remarks reflect a genuine personal pacifism and nationalism. He has never been a part of the Liberal Democratic Party's element that favors substantial defense forces. and recently, while he was minister of health and welfare, he argued against a stronger military com-mitment. An authorized biographical summary states that Mr. Sonoda "spent the prime years of his adult life, from age 24 to 31, on the battlefield, and this long and bitter experience turned Sonoda into a

through-and-through pacifist." U.S. diplomats have been irked and puzzled by Mr. Sonoda's remarks, but insist that in regular day-to-day meetings with Foreign Ministry officials they have encountered no hints of any basic changes in the U.S.-Japanese relationship. Those officials have on occasion offered explanations of his comments "and they have explained them satisfactorily." a U.S.

Taiwan Aides Say U.S. Means to Upgrade Relations Despite Warnings From China

By William Chapman

Washington Post Service
TAIPEI — Taiwanese officials claim to have received signals from Washington that the Reagan administration will upgrade relations between the two countries despite the repeated warnings against doing so from Communist China.

In interviews, the officials said they have received indications of changes in two relatively minor but highly symbolic fields - contacts between representatives of the two countries and an increase in the number of Taiwan's unofficial consulates in the United

States. But the government on Tarwan is nervously waiting for the Reagan administration's first hint that it will take the most important step and agree to sell sophisticated new weapons to this country.
Any of those moves from Wash-

ington to implement the Taiwan Relations Act, which established unofficial ties between the two countries, is likely to arouse new hostility in Peking. The Commuhe put out a demurrer insisting pursued ties with Taiwan under

Taiwan officials would not speak in detail about promised improvements under the act, but said there have been positive indications that Mr. Reagan will authorize an increase in the number of so-called liaison offices in the United States, and said there already appear to be easier contacts between the two countries in Washington.

"In light of President Reagan's philosophy of anti-Communism and the important relationship we must maintain, we have every reason to believe that relations with the United States will improve under his administration," said Premier Y.S. Sun, the country's second-ranking leader.

The premier said he is "optimistic" that Washington will permit an increase in the number of liaison offices and that "more frequent contacts" in Washington are

Two other officials said the government had been encouraged by TECCTU-DOSILINA. MENONALISMO said his government has been told

lates, but under the Carter administration only nine were permitted to open. There are supposed to be no official contacts between the two countries. Taiwan, under the

proach U.S. officials.

its fight to prevent the Communist government from isolating it in the world. "They would like to edge everything back to an official level, to show that they can operate on an equal level with the government in Peking," an experienced foreign observer in Taipei said.

On the most important substantive change, arms sales by Washington, Taiwan officials say they have received no hints from Wash-

Taiwan's most urgent request is for a new high-performance fighter plane, the FX, but the country's requests also includes ship-to-ship missiles and anti-submarine equipment. The Taiwan Relations Act authorizes sales of "defensive" weapons to Taiwan, but the Carter administration shelved such proposed sales out of fear of alienatng the mainland government.

Premier Sun said in an interview that the FX is of "paramount con-cern" because Taiwan's main fighter plane, the F-5E, is aging and would be unable to cope with a new generation of fighters that are being planned in Peking. He denied contentions that the two sides have reached a balance in

not attempting to pressure President Reagan publicly on arms The Navy wants to bring back

As a candidate last year, Mr. Reagan promised closer relations with Taiwan and denounced the Carter administration for failing to implement fully the Taiwan Rela-

BONN — West German Interior Minister Gerhart Baum flew to Washington on Sunday for eight days of talks on crime prevention. the environment and nuclear safety. The Interior Ministry said Mr. Baum would sign an agreement prolonging a bilateral treaty on nuclear reactor safety and emergency

DEATH NOTICE

Mrs. Frederick Edward WALCH, his wife, Comte and Countesse de Saint-Sarveur, his

Past Vice-President of W.R. Grace Co., N.Y. graduate of MIT 1924 and also past President of MIT Club of France, past President of Van Houten, Holland, past Managing Director of W.R. Grace in France and

Cathedral.

UNDRESSING FOR ROYALTY— Queen Elizabeth,

Britain's Queen Mother, is greeted by a four-year-old girl

who suddenly decided to disrobe during a visit to a Toronto

hospital. Louise Remy had to persuade her daughter to

dress up for the Queen Mother, whose tour ends Tuesday.

president of Replogle Globes Inc. of Chicago, died Friday.

Ross Martin

HOLLYWOOD (LAT) - Actor family when he was 6 months old.

attention, the most significant increase in the program was doubling the number of nuclearpowered attack submarines, from 7 to 14, with each to cost \$580 mil-

If those are built, the Navy will

U.S. submarine technology, they

said, is far ahead of Soviet anti-

submarine capability. Moreover,

the attack submarine can engage

other submarines and surface ships

with torpedoes and can engage

surface ships and land targets with

Cruise missiles that have either

The two 95,000-ton aircraft car-

riers, each costing \$3.3 billion,

would be the centers of new battle

groups, which are the Navy's basic tactical formation. The Reagan ad-

Pontiff Chants

Taped Blessing

From Hospital

The Associated Press

VATICAN CITY - Pope John

Paul II chanted his weekly, public blessing on Sunday for the first

time since he was wounded in an

steady a day after his doctors re-

ported that his health has im-

8,000 tourists and pilgrims at St.

The 61-year-old pontiff has read

Peter's Square.

through the intestine.

The pope's voice was clear and

conventional or nuclear warheads.

U.S. Navy Wants to Build 143 Ships,

WASHINGTON - The Navy has proposed an ambitious plan for shipbuilding and aircraft pro-curement that is intended to meet President Reagan's goal of attainhave reached its goal of 100 attack ing a clear margin of naval superi-ority over the Soviet Union before submarines. Some experts in the Reagan administration said that the end of this decade. The plan they considered the attack submaincludes two nuclear-powered airrine to be perhaps the most effeccraft carriers, 14 attack submarines tive weapon in the U.S. arsenal.

Senior Pentagon officials said

By Richard Halloran

New York Times Service

that the program, which seems likely to be approved by the administration with only minor changes, would require about \$120 billion in authorized spending over five years as measured in 1982 dol-The Navy has proposed building

and nearly 1,900 airplanes.

143 new ships, compared with the 80 planned by the Carter administration before it left office, and bring four battleships and two small aircraft carriers out of mothballs. The Navy also has asked for 1,890 aircraft, compared with 1,091 planned by the Carter administration.

Altogether, the plan would be 75 percent larger in numbers of ships, planes and consequent costs than that proposed by the Carter administration last January. The Navy's proposal would begin with the fiscal year 1983, starting in Oclober, 1982, and does not include the increase in shipbuilding in the fiscal year 1982, to \$10.3 billion from \$6.6 billion, that is currently assassination attempt on May 13.

before Congress. Approval Expected

Senior Pentagon officials said that Secretary of Defense Caspar W. Weinberger was likely to approve the plan because it was a blueprint for reaching the goal of a the pope's room at Gemelli Hospital and were played for a crowd of 600-ship Navy that the secretary

More important, senior naval officers and senior civilian officials messages on each Sunday since he was wounded but had not previin the Pentagon have consulted closely in drawing up the plan as part of Mr. Weinberger's effort to mesh strategic planning with the procurement of weapons. ously been strong enough to chant the blessing. He has a virus similar to mononucleosis, which he may have caught from massive blood transfusions after he was shot Mr. Weinberger and Navy Sec-

retary John F. Lehman have re-

seemed likely to attract the most of Milan.

peatedly asserted that a high priority in the administration's military The pope made a special greet-ing in his native Polish to a group of Polish pilgrims from Warmia policy is to regain maritime superiwho were led by their Archbishop ority over the Soviet Union, plus Jozef Glemp. Some Polish church projecting U.S. power to remote areas and protecting trade and sources in Rome said they expected that Archbishop Glemp would transport at sea. be named as the new primate of Poland to succeed Cardinal Stefan Earlier this year, Adm. Thomas B. Hayward, the chief of naval op-Wyszynsksi, who died on May 28. erations, testified before Congress

Italy's largest-circulation newsthat the Navy had lost its margin paper reported that the pope teleof superiority because the Soviet phoned Italian President Sandro Union had acquired large numbers Pertini on Saturday and told him of highly capable ships in the last ingniy capable ships in the last his health is improving. "I'm getting better," the pontiff was quoted as saying by Corriere della Sera

1,890 Aircraft for Margin Over Russia ministration has said that it wants to be able to deploy 15 such battle groups of carriers and escorting

12 Carriers Ready Today the Navy has 12 carriers on line, with one in a long overhaul to extend her service life. When it returns to sea, another will be overhauled. With that cycle continuing, the Navy would have 12 available carriers, with one ex-

There is another carrier, the Carl Vinson, that has been launched and is scheduled for commissioning in 1982. Still another has been authorized, and, with the two new carriers the Navy proposes, would bring the total to 16.

tra training carrier.

Since it takes about eight years to build a carrier, the Navy has re-vived its proposal to refurbish two older carriers, the Oriskany and the Bon Homme Richard, a recommendation that has run into trouble on Capitol Hill before. Some congressmen contend that the money would be better spent on

the battleships New Jersey, Iowa, Missouri and Wisconsin, all of which are laid up in shipyards, and to retain the three turrets of three 16-inch guns on each ship that can bombard land targets more than 20 miles away.

Missiles Called For

In addition, the plan calls for equipping the battleships with Harpoon anti-ship missiles with a range of 60 miles and Tomahawk missiles that can hit ships from 275 miles away and reach land targets from 1,500 miles. In a second phase, about five years after the ships have been at

deck on the aft quarter of the ships to launch belicopters and verticaltakeoff Harrier jets. The five-year plan calls for increasing the construction of Aegis cruisers, which carry expensive and sophisticated sensors and fir-ing systems, to 17 from 16. lt would renew construction of Spru-

ance class destroyers by producing six. And it recommends building

sea, the Navy plans to add a flight

nine smaller frigates, as against one in the Carter plan.

The Navy's blueprint includes nine new amphibious ships, as against none in the Carter plan, to give the Marine Corps the ability to transport more than a full division and its accompanying air wing for a forced entry over a hostile beach

The plan envisions building 20 new oilers, two ammunition ships, and a fast combat support ship, and 53 other vessels, such as surveillance ships, cargo vessels, mipesweepers and logistics ships.

tions with mainland China required it to drop official recognition of Taiwan, which is permitted neither an embassy nor consulates in the United States. The Taiwan

in Boston may be reopened as a

Another official, who asked not

to be identified, said that "commu-

nications are better" now between

Taiwan's representatives in Wash-

ington than during the Carter ad-

The U.S. normalization of rela-

liaison office.

ministration.

Relations Act authorized 14 liaison offices, which act as consu-

Carter administration, found it difficult for even nonofficial representatives in Washington to ap-But officials in Taipei say the ground rules for such meetings have been changed and that con-mic questions of Compacts and that son offices in the United States in

Arms Sales

ington.

ales and other issues. Except for the private assurances on contacts and liaison offices cited by officials, the government in Taipei has had little reason to be pleased with the administration's performance.

Taiwan has adopted a policy of

Bonn Minister Visits U.S.

Comic and Comtesse or son-in-law and daughter,
Donine and Armand-Guillaume de Se
Sauveur, his grand-children,
regret to announce the death of

Director of W.R. Grace in France and Europe, a Grace Member of the Board of Cotomith, Togo.

Memorial service will be held at 12:30 on Thursday, July 9, at The American Cathedral, 23 Avenue George-V, Paris-8°, by the Very Reverend James R. Leo, Dean. In lieu of flowers donations may be made to the Memorial Fund of The American Cathedral.

International Bond Prices - Week of July 2

 ${\bf Provided} \ by \ White \ Weld Securities, London; a \ Division \ of \ Financiere \ Credit Suisse-First \ Boston$ RECENT ISSUES STRAIGHT BONDS All Currencies Except DM

The cargo in question is energy, and it's coal from one distination.

Crude oil from another. And more and more often, liquid propane gas as well.

You deal with it by building ships:
Special carriers designed to carry these energy fuels in a safe, efficient manner.

NYK has these types of ships in service now.

More are planned as

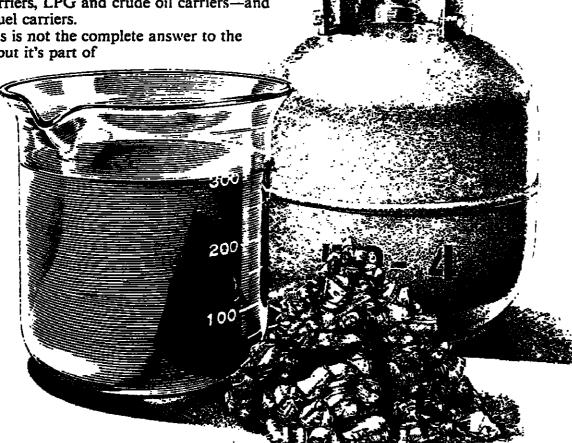
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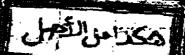
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San Juan Bay at sunset: "This country has so much beauty..."

Country, Colony — or Something in Between?

EVITTOWN - Juan Hernandez Ferrer, a grocer in New York, moved back to Puerto Rico after 17 years on the mainland. He settled in Levittown, a sprawling subdivision outside San Juan, where the Kennedy Elementary School, the Kentucky Fried Chicken outlet and the Little Leagues made his family feel at home. He opened a store, and its sign read not "Mercado" but "Food Center" because, he said, "that sounds more American."

Yet ask him why he returned and he says: "You love your country no matter where you are. When I arrived here, I would get up at 4 every morning to drive along the ocean and watch the sun rise. This country has so much

Puerto Rico: country, colony or something in between? It is the question that obsesses this Caribbean island, conquered by the Spaniards in 1508, by the Americans in 1898 and, since 1952, designated by the U.S. Congress as a "commonwealth."

Puerto Ricans are U.S. citizens. They use the U.S mails, U.S. currency, U.S. Social Security and U.S. welfare. Yet residents do not vote in U.S. elections or pay federal taxes, and many Puerto Ricans on the island, like Mr. Hernandez Ferrer, think of themselves as a distinct nationality living in their own country.

Polarized Society

The result is a political and cultural identity crisis that has polarized this Spanish-speaking society perhaps more than at any time in its history.

The governor's press secretary, a Chicagoan

named George McDougall, is incensed when journalists refer to Puerto Rico as a "country." and reminds them gruffly that "Puerto Ricans are Americans."

Ruben Berrios Martinez, the leader of the Independence Party, counters: "There may be Puerto Ricans who think of themselves as

The governor, Carlos Romero Barcelo, educated at New England's Phillips Exeter Academy and Yale University, and married to the former Kathleen Donnelly of Baldwin, N.Y., yearns for Puerto Rico to become the 51st state. "We ourselves feel no ambiguity about being both Puerto Ricans and Americans," he

However, when Gov. Romero Barcelo tried to insist that the U.S. flag be flown next to the Puerto Rican flag at the opening of the Pan American Games in 1979, an island-wide controversy erupted. The Stars and Stripes was not raised, and when the "Star Spangled Banner" was played before the Puerto Rican anthem, it was drowned out in a chorus of air horns, police whistles and boos from the crowd of 35,000.

Continuous Protests

Although independence parties have never won more than 6 percent at the polls, Puerto Rican nationalism thrives also in continuous protests against U.S. military exercises, especially on the island of Vieques, a target for U.S. Navy practice. Puerto Rico sent its own delegation to the Moscow Olympics in spite of the U.S. boycott. The 1980 Puerto Rican elections further di-

vided the island. Gov. Romero Barcelo barely won, 47.2 percent to 47 percent, over Rafael Hernandez Colon, who favors a more autonomous commonwealth status. The legislative races were equally close. Meanwhile, Mr. Hernandez Colon has

received death threats and is protected by 12 bodyguards. "The situation is very tense," he "People are very polarized."

Mr. Berrios Martinez warned: "There are thousands of Puerto Ricans determined to impede assimilation by any and all means ... Any serious attempt at incorporating Puerto Rico as a state would unquestionably precipitate a wave of violence."

Mr. Hernandez Ferrer, the former New York grocer, is now mayor of the city of Toa Baja, which includes Levittown and which has endorsed statehood.

"But if independence came tomorrow, under the democratic flag of the United States, I would accept that just as well," he said. Like most Puerto Ricans he is frustrated by the political limbo. "What I don't want is to remain at the edge of the river. Do I cross it or not? You must reach a decision."

New Yoricans

Nowhere are the cultural ambiguities of being Puerto Rican more evident than in Levittown, where two-thirds of the 25,000 residents are "New Yoricans" or "Neoricans" — Puerto Ricans who migrated back from Chica-go, Baltimore and Miami, but mostly from Brooklyn, the Bronx and other New York boroughs, About 2 million Puerto Ricans live on the mainland, against 3.2 million on the island, and migration is continuous both ways.

Levittown reflects the sometimes schizo-phrenic lifestyle. Its schools give bilingual classes to Neoricans who cannot speak Spanish, and fights have broken out in the high school between the "bilinguals" and the "regulars" who make fun of them. With its lookalike, flat-roofed houses on small patches of lawn, it resembles Levittowns everywhere, but its carpet outlet advertises "Wholesale Alfornbras" and at Christmas the multicolored lights

are strung on palm trees. Despite the Americanization, Mr. Hernandez Ferrer said, "We're impatient to revive traditions — especially the newcomers. We come back hungry for the things of the past."

On Good Friday this year, Levittown

brought back the island's ancient custom of

parading through the streets to re-enact the Stations of the Cross. An electric-blue Mazda led the way as a white-robed nun in the front seat sang "Cristo Rompe Las Cadenas" — "Christ Broke the Chains" — through huge loudspeakers on its roof. The crowd of information mally dressed adults and children walked down Levittown Boulevard, past Coca-Cola signs and beauty supply shops, holding a large crucifix and reciting, "Lord have mercy upon

Painful Transition

Andres Serrano, one of 13 children of a factory worker, left Puerto Rico to find work in New York when he was 20. He returned 20 years later after a career in the Air Force. The transition was painful.

By Linda Bernier

NAN JUAN - If Puerto Rico has developed

into the economic showcase of the Carib-

bean, it is primarily because of its special rela-

tionship with the United States and its pro-

gram of industrial development, which has at-tracted U.S. investors and, in recent years, the

interest of foreign investors.

The oil crisis and worldwide economic reces-

sion, Puerto Rico's uncertain political status

and some economic proposals of the Reagan

administration may have dampened Puerto

Rico's investment climate, but many local eco-

nomic planners and businessmen say that the

skilled labor force, an attractive tax incentive program, duty-free entry into the U.S. market,

well-developed industry services, a prime loca-tion and a sophisticated banking and financial

About 70 percent of Puerto Rico's total in-

- about 70 percent - is in the manufactur-

vestment comes from outside the island, 90 percent of it from the U.S. mainland. Most of

ing sector. The rest is in construction, real es-

A few foreign companies — from Japan, West Germany, Belgium, France, Switzerland and particularly Spain in the last few years —

have been establishing operations on the island. But government officials believe that foreign businesses are basically unaware of the

investment opportunities, so they are planning

"Some foreigners don't even know that

Puerto Rico is a part of the U.S., using the U.S. dollar as currency," a Puerto Rican busi-

Charles Ramos, who heads Merrill Lynch, Pierce, Fenner and Smith in Puerto Rico, said:

"Puerto Rico is a great place from which to penetrate the U.S. market. If the Japanese

would produce their cars here, they might not

Net capital inflow has been steadily increas-

ing, from \$250 million in 1963 to \$882 million in 1970, \$1.5 billion in 1977 and \$2.16 billion

The average hourly wage in Puerto Rico is about \$4.15. But Burt Finn, the governor's economic adviser, noted that the average hourly rate is twice as much in the United States, and that skilled labor in Puerto Rico is 10 percent

to 20 percent more productive and has a lower

Prime Stimulus

The prime stimulus of private investment in

the manufacturing sector in recent years has

been the Industrial Incentives Act of 1978. It

provides exemptions from corporate income

absentee rate than in the United States.

have the export problems they do.

to promote investment more actively abroad.

Puerto Rico's appeal is based on a highly

island still has much to offer.

sector with no exchange risk.

"The kids who come back are in nobody's land," he said. "They are looked down upon because they're not American and they're not Puerto Rican. The teachers make fun of their accent in Spanish. My oldest son was 12 when we came. He never did adapt. He got into drugs. After high school he went back to the States for good."

Andres' wife, Ana, Puerto Rican-born and Brooklyn-bred, feels estranged from her Puerto Rican neighbors. "I can't get used to their customs." she said. "I feel funny around them. If you don't wear certain shoes you're out of it. They think I'm an oddball because I walk around the house in tennis shoes. They can't

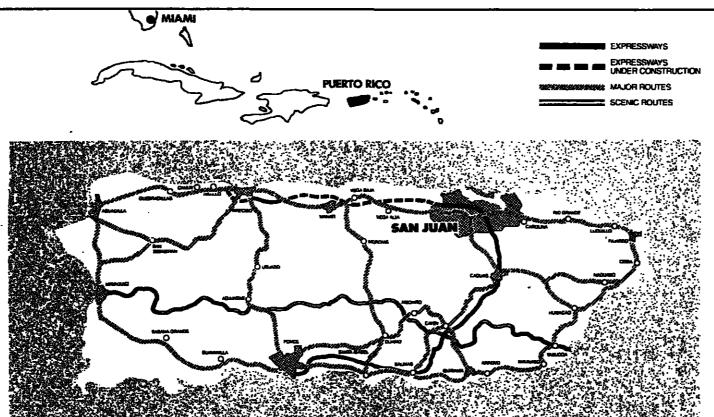
believe I don't watch the soap operas.
"When I go to a PTA [Parent-Teachers Association] meeting, the wives say, 'What? You

came alone? You drive by yourself? Isn't your husband coming to pick you up?" The women do nothing without their husband's permission. I say, 'Can I take your daughter to the movies? My neighbor says, 'I've got to ask my husband.' I say 'Can't you think for yourself?'"

'Yankee Efficiency'

The Serranos miss "Yankee efficiency," complaining that one cannot adjust a utility bill in Puerto Rico without going down to the company and waiting in line for hours. When the gubernatorial election was in dispute, no one went to work at city hall and the garbage in Levittown was not collected for a week. Signs in local bars often say: "In this establish-

(Continued on Page 8S)



Herald Tribune

JULY, 1981

A SPECIAL SUPPLEMENT

Contrasts Are Sharp In Island's Economy

By Margot Hornblower

IDRA — In an industrial park, circled by flowering bougainvillea and banana trees, the technicians of Waters Associates, a \$100-million multinational corporation, work in the air-conditioned quiet of a new factory.

Rows of white-jacketed Puerto Ricans fash-

ion scientific instruments. They earn an average of \$14,000 a year plus medical, dental and life insurance, profit-sharing and tuition assistance benefits.

The Waters plant, one of 32 built in this rural mountain town, is part of what government officials in Puerto Rico call an economic miracle. Puerto Rico, for decades a forgotten colony of the United States, is poorer than Mississippi, the poorest U.S. states tropical is-\$21 billion in U.S. investment, this tropical island has achieved a per-capita income higher than that of any Latin American nation except Venezuela, which is rich in oil. Today, Puerto Rico touts itself as a triumph of exuberant capitalism, a model for underdeveloped counuries everywhere.

Down the road from the Waters factory, however, beyond a Pepsi plant and a Smith, Kline & French pharmaceutical complex, the underside of this economic miracle is obvious to any passer-by.

On a steep hill, Antonio Melendez Caraquillo, 41, shouts guttural endearments to a pair of oxen as his rusty plow lurches unevenly through a tobacco field. On another section of the 10-acre farm, Mr. Melendez's three brothers, sweating under the blazing sky, are sowing bean seeds by hand.

"Sometimes, I make \$1,000 a year," said Mr. Melendez Caraquillo, who has seen the number of local farmers dwindle from about 3,000 to about 200. Now he and his wife and four children survive on \$232 a month in U.S. food

Mr. Melendez Caraquillo wishes that the government would help him irrigate his land, or lend him money for a tractor. But the government, he says, "only helps the rich."

Puerto Rico is an investment paradise for U.S. corporations. U.S. firms get a 100-percent tax exemption from the U.S. Congress for subsidiaries in Puerto Rico. The program, which began in 1948 as "Operation Bootstrap," is an effort to make this impoverished American tereffort to make this impoverished American territory "a showcase for democracy."

Today, a lively debate is taking place as many Puerto Ricans begin to reassess that development scheme critically, questioning whether the benefits have "trickled down" from the companies to the island or instead have trickled disproportionately across to the

Imported Food

In the last three decades, as farmers went to evaporated, making it dependent on imported food, despite an ideal climate and rich soil.

The promise of plentiful employment never materialized as more agricultural jobs were wiped out than the new, largely capital-inten-sive industries could provide. During the 1950s and 1960s, about 700,000 islanders, nearly one-third of the population, migrated to the mainland. Of those who remain, 30 percent to 40 percent are unemployed or have given up looking for work. The Puerto Rican government is deeply in debt — it owes \$7 billion to

A lively debate is taking place over the program that makes the U.S. territority an investment paradise for U.S. corporations.

mainland banks - and almost one-third of the work force is on the public payroll. Meanwhile, 55 percent of Puerto Ricans collect food stamps, a situation that many people say has created a pervasive mentality of dependency.

Politicians in Puerto Rico tend to look at the bright side. "Our island stands in dramatic contrast to Cuba as a model for developing countries throughout the Caribbean and Latin America," Gov. Carlos Romero Barcelo told a Senate committee recently. "Less than 50 years ago, Puerto Rico was known as 'the poorhouse of the Caribbean.' The level of poverty was shocking. Today we have the highest standard of living south of the Rio Grande.

Puerto Rico's industrial roster is a who's who of U.S. companies, from Allied Chemical, Anaconda and Avon Products to U.S. Steel, Wang Laboratories and Westinghouse.

Per-Capita Income

Per-capita income grew from \$278 in 1948 to \$2,934 in 1979. Life expectancy rose from 46 to 74 years, slighty above the U.S. average. Until the oil embargo and the 1974 recession, the growth rate was one of the highest in the world, 6.1 percent a year.

However, Jaime Santiago, former director of the budget on the island and a respected University of Puerto Rico economist, said, "Puerto Rico is living today under a mirage of economic affluence [while] its real economic sectors are in deep trouble

Only U.S. federal funds, he said, "have prevented the collapse of the island economy
...A new economic strategy is badly needed to put the economy on the path of a strong self-sustained growth. This will require a substantial change in the economic and political relations between the island and U.S."

In what critics call "growth without development," the 2,500 U.S. factories in Puerto Rico

import raw materials, export the manufactured products and transfer profits to the mainland, providing little long-term investment in the internal economy.

Until two years ago, U.S. companies received a 100-percent exemption not only from federal taxes, but from Puerto Rican taxes. Now Puerto Rico gives exemptions of 75 percent to 90 percent on local taxes.

The story of the Waters plant and, more broadly, the effect of industrialization on the town of Cidra, is the story of Puerto Rico in

Six-Lane Highway

Cidra, once one of the poorest towns on the island, is now among its fastest-growing. A 45-minute drive from San Juan along a six-lane highway, Cidra has a population of 30,000 nestled in green hills where coconut palms grow wild and tropical flowers line the roadsides.

The main plaza, lined with giant laurel trees,

was a picture of modest prosperity on a recent Sunday. Women in designer jeans and stiletto heels, men with open-collar shirts, and children in white patent-leather shoes spilled out of the doorways of the packed church, as the priest said mass over a microphone.

The aisles of the Super Farmacia San Jose

were stuffed with Pampers diapers, Gillette shaving cream and comic books entitled "Popeye El Marino." Across the street, the Supermercado Miguel Self Service advertised Queso Borden" and "Spaguetti Boy Ar Dee" in its window next to a sign saying "Aceptamo

A funeral procession of emerald-green Cadillacs loaded with flowers wound through the narrow streets of brightly painted houses to the plaza where, in the usual weekend ritual, carloads of teen-agers circled, listening to loud

A few blocks away, teams of blue- and yellow-uniformed men played the Puerto Rican national sport, baseball. 30 Years Ago

Marcola Colon, 63, remembers how it used

to be in Cidra. Thirty years ago, this was sugarcane country. Men worked from 6 a.m. to 6 p.m. for \$2 a day. Children died from rickets and worms. When people went to the doctor,

(Continued on Page 9S)



Gov. Carlos Romero Barcelo

and property tax up to 90 percent, depending on the period of investment and the location of the plant. A 10-year extension, after the initial 20- to 25-year investment, is offered, with the exemptions ranging from 35 percent to 50 per-cent, depending on location.

Also offered are production worker payroll deductions, which reward high wage and employment operations, deductions of the first \$100,000 of profit, reduced tollgate taxes, a 100-percent exemption from municipal taxes and special incentives for investors in the hotel, service, textile, apparel and leather indus-

of a permanent industrial base and increasing its integration with more consumer products, the government has set certain priorities for investment, Mr. Finn said.

Among these are investment in high technol-

The government finances 80 percent to 90 percent of investment in agriculture. Many believe that this sector could become attractive to private investment with the development of winter fruits and vegetables for the U.S. East Coast market, flower, coffee and rice produc-tion, and food processing.

Another untapped market, noted Julio Pietrantoni, president of the Government Development Bank, is the service sector - banking, finance, insurance, tourism, trade and

"A lot of banks followed their clients here and we have legislation allowing them to establish offshore activities," Mr. Pietrantoni said. "But since the Federal Reserve Board opened these activities to U.S.-based banks this year, much of the impetus has been taken

He noted, however, that the government is considering removing restrictions so that non-U.S.-incorporated banks could operate in Puerto Rico outside the Federal Reserve Sys-

Last year the government initiated a 10-year program designed to develop Puerto Rico as a major free-trade zone, where companies, paricularly those already manufacturing on the island, could house and distribute their goods throughout the region without paying taxes or customs duties to Puerto Rico.

The government has invested \$10 million to \$15 million this year to develop a 25-acre tract of land in the San Juan metropolitan area for the free zone. By 1982 the area will be ready to house the large multinationals that have expressed interest in the project. No firm committments have been made, however.

Total government investment is expected to reach \$150 million to \$200 million, including the establishment of a \$17.3-million interna tional trade center, said Mr. Pietrantoni, adding that it is hoped that government invest-

Annual Expansion in Real Gross Product 7.3%

Hefty Incentive Package Lures Investment Funds

1979 1973 FISCAL YEARS

Untapped Market In addition to continuing the development

ogy, which has a very fast growth rate, pays higher wages and provides opportunities for an increasingly skilled and educated work force; investment in tourism, into which the government, through the Puerto Rican Industrial Development Corp., has poured about \$100 million; and investment in the agricultural sector.

ment will stimulate private investment in the project even further. Merrill Lynch's Mr. Ramos said, "Puerto

Rico, with its location, bilingualism, sophisticated management and financial services, could be a jump-off point for business operations in Latin America." So far, however, investment has not been growing at past levels. Plant promotions dropped 26.8 percent in July-February, 1980-

81, from the same period in 1979-80. The number of plant openings declined from 75 to 63 for the same periods.

The growth of investment peaked in 1972, after which the oil crisis and world recession

had a dampening effect, said Muguel Rivera Rios, president of the Puerto Rico Planning Board. "Although the prospects are not so bad, they are not as rosy as in the past and I am reluctant to be too optimistic in the face of stiffer competition," he said.

The competition is coming not only from neighboring countries but from states in the United States that have been developing their own industrial incentive programs. And Puerto Rican government officials and

businessmen said that President Reagan's proposals to provide tax breaks and incentives to stimulate investment on the mainland could also temporarily dampen investment interest in Puerto Rico. In the long run, however, some believe that a revived U.S. economy could only benefit Puerto Rico's economy and investment

Terrorism. Oil Costs

Mr. Rivera said that other problems contributing to the slowdown in the rate of investment are terrorist attacks by Puerto Rican nationalists, high energy costs -- Puerto Rico is 99-percent dependent on imported oil -- and a certain deterioration of the work ethic caused

by the improvement in living standards.

According to Mariano Mier, president of the Banco de San Juan, "Investment had been very good until the elections [in November, 1980]. Since then the government has been

Because of the close elections and the ensuing political uncertainty, he said, "companies who were thinking of expanding are taking a wait-and-see attitude. The government should forget about politics and get back to work."

A decision on political status — excluding

the independence option - would certainly have a positive effect on investment in Puerto Rico, Mr. Ramos of Merrill Lynch said. He noted that the island's high energy and transportation costs, and the fact that its secondary service sector is not as extensive as the United States', can present problems for certain types of investors. But, he said, "compared with other countries in the region, Puerto Rico is a paradise. And there is still a lot of growth po-

PUERTO RICO

Officials Troubled by Increase in Crime

SAN JUAN — After the question of political status, one of the major topics of discussion in

Puerto Rico is the crime rate. "It's terrible," people say. "You new York, or, for can't go anywhere. There isn't a most large U.S. cities. person I know who hasn't been

robbed or mugged." San Juan homes are covered with wrought-iron grills, not only for decoration but for protection. Bars are on the windows. Locks and double locks are on the doors.

"I remember when you could go anywhere alone at night," recalled a businessman who grew up in Puerto Rico and now visits the island frequently. He was robbed while filling up his car at a city gasoline station. "Now it's getting Rico has the second-lowest crime to be like New York," he said.

Actually, the crime rate in Puerto Rico is not at all as bad as in New York, or, for that matter, according to the FBI.

Not Much Consolation

According to the FBI's latest uniform crime report, in 1979 San Juan had the lowest crime rate of 22 U.S. cities with a population of 1 million to 2 million. San Juan had 3,834 "type one" crimes (murder, rape, assault, theft) per 100,000 people, while Miami, with the highest rate, had 9,000 crimes per 100,000.

Compared with states, Puerto years.

PUERTO RICO PORTS AUTHORITY:

Serving Puerto Rico and the World

rate in the United States, after West Virginia. The island had 2,544 crimes per 100,000 people.

The figures, however, are not much consolation to people on an island so small — 111 miles by 36 miles — that it is hard to escape the problem. More than 50 percent of Puerto Rico's crime occurs in the poorer sections of the metropolitan areas, according to the Puerto Rico Police Department

Police statistics show that in 1979-1980 criminal activities increased from 80,181 to 92,269 the biggest increase in the last 20

Cartagena said he believes that this increase was due to a lack of police officers assigned to crime lighting during an election year: Extra personnel were assigned to cover meetings, demonstrations and other election activities.

John Fucile, a former city councilman and civic leader, said that there are not enough police officers in any case. Puerto Rico has about 10,000 police officers, or about five per 1.000 residents: New York has about 15 per 1,000. Mr. Cartagena said that the police force could use 4,000 more officers over the next two to three years.

Mr. Fucile noted that because of the low salaries - \$685 a month for the average police officer — most of the recruits are young people from rural areas.

"Unsophisticated"

"They'te very nice and totally uncorrupt, but compared with the streetwise punks from the States, they're very unsophisticated," said a longtime resident of Puerto Rico, noting that many of the better-trained police officers leave the island for better-paying jobs on the

Some residents attribute the increase in crime to the return of Puerto Rican migrants from the mainland who, the residents say, bring bad habits with them.

Other blame the rapid change of society, with increasing urbaniza-tion and a breakdown of the family. "The more progress, the more crime," said Mr. Fucile. "In a short span of time, we've gone from a jungle to a modern society, with all the pressures and stress of a big city like New York."

Mr. Fucile started a program

called Crime Stop 11 years ago when crime began to be a major focus of public attention. The private, nonprofit program, operated vides people with an emergency telephone number to call police headquarters.

Drug Involvement

Drugs are another cause of crime, said Dr. Rafael Rivera of the Center Against Drug Addiction. He noted that in 1970 about 59 percent of all people arrested in Puerto Rico were involved in drug charges. The rate has declined to between 30 percent and 35 percent, but is still a problem.

Sen. Luis Ferre has estimated that 75 percent of Puerto Rico's crime is related to drugs.

Puerto Rico is a transit route for illicit drug traffic from South America into the United States, according to drug enforcement of-ficials. They and medical authorities treating drug abuse report that, while abuse of heroine, obtained primarily from New York, abuse of cocaine, pills and easy-tofind manijuana is increasing.

Other reasons given for the increase in crime are economic problems - with an increasing cost of living and high rates of unemploy-ment, the disparity between rich and poor has grown — and rising expectations as Puerto Rico has developed economically.

"People see wealthy tourists or Americans who move into luxury buildings: they see advertising on TV and billboards for things they can't afford," said an American who has lived in Puerto Rico for 13 years. In that time, she has been robbed three times and mugged

— LINDA BERNTER

White and Gold

A S WITH WHISKY in Scotland and vodka in Russia, rum is the drink synonymous with the Caribbean and in particular Puerto Rico. The production of rum is now very much part of the island's tradition, although methods of distillation and marketing are, of course, more sophisticated than in the early 16th century. when rum was first produced on the island.

At that point, the early Spanish settlers introduced sugar cane to the island and it was they who discovered that the molasses, produced from ground sugar cane, fermented naturally to produce a harsh liquor that they named aguardiente. These early experiments saw the birth of Puerto Rico's rum distillation.

During the 16th, 17th and 18th centuries, the demand for rum came from the American colonies and in particular New England, where it was imbibed in large quantities. It was also considered to have aphrodisiac and medicinal qualities, as well as the power to ward off evil spirits, and was administered to women in labor as a mild anesthetic. Puerto Rico helped to supply this ready market with molasses for distillation and the refined product.

Today, with the help of modern distillation plants and marketing and advertising techniques. Puerto Rico is the world's leading rum producer. This island industry accounts for 89 percent of all U.S. rum sales and produces a revenue that runs into millions of dollars from the excise taxes that are levied.

Quality is maintained by laws that govern the distillation process and that also determine the length of time the rum must be aged: at least one year for white rum and at least three years for

Is It a Country, Colony — Or Something in Between?

(Continued from Page 7S) ment, one does not talk politics. But when you go, Mr. Serrano said, "all people talk is politics and

they end up lighting." Nonetheless, he added, he is happy to be on the island. "I never felt like I belonged in the States. It's very hard to get ahead as a Puerto Rican. Even with their faults. I prefer to be with my peo-

Annie Belio, born in New York of Puerto Rican parents, came a few years ago "to get in tune with my culture" and married a Puerto Rican. As a child of the 1960s, she said. "I was very rebellious. My mother would say, 'You're an American.' I'd say, 'No, I'm Puerto Rican.' But now that I'm in Puerto Rico, I've decided, No. I'm a New

In contrast, her husband, Samuel Vera, 26, although he has a mas-ter's degree from New York Uni-

Ponce and of the Puerto Rico

Bankers Association. "I think the

economy of Puerto Rico is stag-

nant and that, after adjusting for

inflation, we will see negative real growth this year," he said. Mr. Paracchini attributed the

problems to "the impact of higher

petroleum prices, which is tremen-

dous and has created a consider-

able drain on our economy, and on

inflation, now running around 10-

Mr. Paracchini sees possible re

lief from the latest OPEC talks de-

claring a moratorium on oil price

increases, signs of abating inflation in the United States, which will be

felt in Puerto Rico, and, he hopes,

the lowering of short-term interest

rates during the next six months.

As for long-term rates, Mr. Parac-chini points out that they are tied to inflation and will decline when

the financial community decides

In other words, he added, to the

extent that Mr. Reagan is success-

ful and the U.S. economy takes

off, Puerto Rico will benefit. Puer-

to Rico's three major problems.

the three things that affect it the

most — energy prices, inflation

and interest rates - are the three

things over which it has no control.

As for construction and hous-ing, Mr. Paracchini said he expects

a radical change in home financing in Puerto Rico and on the main-

land. "Until now, in Puerto Rico,

you could buy a home at a low-

interest, 20-year mortgage guaran-

teed by Uncle Sam. But no more."

gotiable mortgages.

inflation is coming down.

12 percent a year in Puerto Rico.'

And the answer?

During 83 years under the U.S. flag, the island has held onto its culture and its pride with

versity and is a salesman for a company called American Home Products, said, "I feel Latin American. I like the United States, but I think of anything from the U.S. as foreign.

remarkable tenacity.

Baby's Name

The couple live in a Levittown condominium where. Annie Bello said. They think I'm a hippie because i wear Indian blouses and braid my hair." She is expecting a baby. "I want to call it Michael or Couriney," she said. "My husband wants Alejandro."

The cultural clashes of Levittown are the clashes of all Puerto Ricans. During 83 years under the American flag, and despite a dra-conian Anglicization of the schools that lasted more than a generation, this island has held onto its language, its culture, its religion and its pride with remarkable tenacity: Puerto Rican poets, musicians, playwrights and painters continue to blossom Of 84 radio stations, only one has programs in English. The Levittown high school is named after Pedro Albizu Campos, a Puerto Rican revolutionary of the 1930s - who went to Har-

Nonetheless, these islanders, living 1,000 miles southeast of Miami on the far side of Cuba, shop at Grand Union, work for Bendix in Ponce or General Electric in Caguas, collect Vietnam veterans' benefits and watch the World Series on television dubbed in Spanish. The governor vacations in Disneyworld. His principal opponent, Mr. Hernandez Colon, is a graduate of Valley Forge military academy and Johns Hopkins University. Even Mr. Berrios Martinez, the head of the Independence Party, went to Georgetown

Puerto Rico celebrates Thanksgiving and Mother's Day, along with its own historical holidays. It is almost impossible to find a Puerto Rican, whether in the poor countryside or in wealthy San Juan condominiums, who has not worked or studied in the United States, or does not have close rela-

-MARGOT HORNBLOWER

INDA BERNIER is an American free-lance journalist who has been a frequent contributor to the International Herald Tribune's special supplements. She is a former reporter and feature writer for the Los Angeles Herald Examiner.

CIELA BEXON is a former business writer and contributing editor for Industrial Puerto Rico, the Puerto Rican manufactur-

MARGOT HORNBLOWER is on the staff of The Washing-

ers' association business publication, and for the last year has been a reporter at Caribbean Business, a weekly newspaper. MARTHA MAGRUDER was previously the city editor of

the San Juan Star, an English-language newspaper. She was until recently the editor of Caribbean Business, which she founded. JOEL MAGRUDER has lived in Puerto Rico for 25 years. He has worked for The Associated Press in San Juan and for the San Juan Star. He and his wife, Martha, have a publishing firm.

Economy Hinges on U.S. Role

Adding to Puerto Rico's prob-lems is the fact that about 99 per-

cent of its energy is produced by foreign oil, adding a tremendous burden to already overstretched

government dollars and consumer

while refusing to speculate on just how deep the federal budget cuts

will be, did agree that the food

stamps and CETA programs

would be the most seriously affected. He explained that Puerto Rico

would be excluded from the exist-

ing federal food stamps program

and would instead receive a block grant of about \$540 million.

In terms of the CETA program,

which Mr. Reagan has proposed eliminating, Mr. Romero Barcelo said that this could represent a loss

of about \$270 million a year, rep-

resenting the wages of some 25,000

workers in maintenance of roads,

schools parks and hospitals. There-

fore, he reasons, the cancellation

of this program would have an im-

pact not only on the unemploy-

ment rate but also on government

Treasury secretary, Julio Cesar Perez, does not see the situation in

Rico economy will keep on ex-

panding principally in the manufacturing area," he said.

Interestingly, Puerto Rico's

bleak terms. "The Puerto

service at all levels.

Gov. Carlos Romero Barcelo.

pocketbooks.

By Martha Magruder

SAN JUAN — For many years, it took about nine months for U.S. economic problems to affect Puerto Rico, but today, through a combination of a more sophisticated economy in Puerto Rico and the upheaval being caused by President Reagan's economic policies, the impact is almost simultaneous.

This relationship is based largely on Puerto Rico's strong economic ties to the United States, ties that include transfer payments of between \$3.5 billion and \$5.3 billion a year, depending on who is doing the figuring.

Almost across the board, Puerto Rico's business community and economists agree that the island is not only already undergoing tough economic times but that, come Oct. 1, when Mr. Reagan's economic package goes into effect at the beginning of the federal fiscal year, the picture will become even

Short-Run Problems

One economist, commenting on the Reagan proposals, said, "The main benefit to Puerto Rico will be in the long run. If Reagan can straighten out the U.S. economy, we will benefit. However, in the short run, we will indeed suffer."

Because Puerto Rico does not pay federal income taxes, he said, the island will not even benefit from the tax cuts that Mr. Reagan is offering as part of his package.

Puerto Rico has an official unemployment rate of about 18 perwhich does not include a large group of people who have given up looking for work. Two major federal programs — food stamps and the Comprehensive Employment and Training Act (CETA) — are among those high on Mr. Reagan's list of programs to be cut. Currently, Puerto Rico receives close to \$1 billion a year in food stamps funds, and about 55 percent of the population col-

lects food stamps.
While some see this reduction in financial dependence as good over the long run, they also see the results for the short term as translating into a period of negative growth. "With close to 25 percent of our working population — some 200,000 out of 830,000 — already working for government, many on CETA funds, things will have to get worse," a planner said,

What does concern Mr. Perez, however, is construction, which had been suffering badly in recent soon as interest rates come down to more reasonable levels we will see some improvement. I feel the government also must get more involved.

Toward this end, Mr. Perez said that work was currently under way to adjust existing construction guidelines to make it easier to build at more reasonable prices. "We have two problems today, the cost of a house and the cost of interest. We are powerless to do anything about the interest rate, so we considering loosening the guidelines to permit less costly construction," he said. Also under study are variable

rate mortgages, which would ease up the now frozen mortgage funds. A more negative note was sounded, however, by Alberto M. Paracchini, president of Banco de

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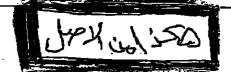
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PUERTO RICO

Contrasts Are Sharp in Island's Economic Picture

(Continued from Page 75)

 $\{a_{i}^{m},a_{i}^{m}\}_{i=1,\ldots,m}^{m}$

they paid with an egg or a bunch of plantains. If the doctor operat-ed, they gave him a chicken. If he saved a life, he might get a pig. "Life was very bad in those days," said Mrs. Colon, a small,

brown-skinned grandmother who lives a mile from town. "We went without shoes. We had no electricity. It took a day to get to San Juan by bus" on winding mountain

She lives on the same patch of land where she was born. But her old wooden dwelling has been replaced by a neat concrete house, complete with a television, a washing machine, hanging plants, live chickens and a pet peacock. The sign over the door says, "God Bless Our Home." A daughter lives in New Jersey, but six of Mrs. Colon's children live nearby with

"Everything is better now," she said. Her husband, a retired cashier, is ill, but the \$116 a month they receive in Social Security, plus \$112 in food stamps, means "we have peace of mind," she said.

their families

Workers Bilingual

The Waters plant is part of Cidra's new prosperity. Built in 1978, its work force of 90 is expected to reach 250. But it will hardly help Puerto Rico's unskilled unemployed. Waters workers, who make liquid chromatography instruments to analyze and purify chemicals, average two years of college. Most are bilingual, able to follow

complex instructions in English. Taiwan and other Third World na-Even the janitor has three years of tions. The government turned to college accounting.
Nonetheless, the firm illustrates

the progress that Puerto Rico has made in training a technical and managerial class

"Puerto Ricans used to be sec-ond-class citizens," said general manager Diego Loinaz, a mechanical engineering graduate of the University of Puerto Rico. "Now you have guys like me in charge of sophisticated companies."

The Waters plant represents a new phase in Operation Bootstrap. which began with a tide of lowwage, low-capital textile and underwear factories. As Puerto Rico phased in the U.S. minimum wage, however, these plants fled during the 1960s and early 1970s to Haiti,

tions. The government turned to capital-intensive petrochemical plants, a venture that failed to bring the expected employment and caused major pollution prob-

Now Puerto Rico's sophisticated recruiting apparatus, the Econom-Development Administration. with 700 employees and offices from Boston to Tokyo, is focusing on high-technology electronic, computer and precision instru-

ment firms. Two-hundred-and-forty of these high-growth, recession-resistant Rico, producing high-speed printers, magnetic core memories, cathode ray tubes and other space-

struction, lack of financing and a

dearth of adequate commercial

and residential space all have put

severe constraints on an industry

that provides permanent and part-

real estate firms reported high

business volumes for 1980; Tiri

30, 1980, the Office of the Com-

missioner of Insurance, which re-

gulates the industry, reported a to-

tal of 7.882 licenses issued to indi-

viduals or corporations active in

the business. According to that re-

port, \$628 million in premiums

was underwritten by companies

doing business in the island in

1980, and 63.7 percent of these

premiums were subscribed by the

Until about 12 years ago, insur-

ance in Puerto Rico was dominat-

ed by foreign companies operating

37 active domestic companies.

The island is also known as "the nation's pharmaceutical capital," with 85 plants of multinationals such as F. Hoffmann-La Roche. whose subsidiary in Puerto Rico makes all the Librium tranquilizers used in the United States.

Officials from Waters, a Massachusetts-based company, traveled to Texas, North Carolina and Ireland before settling on Puerto Rico for their new plant. "A lot of businessmen still think Puerto Rico is а banana republic." Mr. Loinaz said. But Waters realized that it could get an excellent deal, he add-

The subsidies were far beyond what Antonio Melendez Caraquillo or any local farmer could dream of: a prime piece of land in one of the government's 96 industrial parks, complete with a ready-made building shell (a \$900,000 capital investment for which Waters pays rent), and a \$1.5-million-a-year tax break that enables the plant to make a 23-percent annual profit, while Waters' mainland factories average about 10 percent.

IRS Suits

The Internal Revenue Service time employment for more than 2,000 people. Nevertheless, leading has questioned the federal exemption program and has taken several firms to court, including the pharmaceutical giants Ely Lilly and Real Estate led the field with \$250 Warner-Lambert, for allegedly usmillion in sales. The majority of ing Puerto Rico subsidiaries to sales last year, however, were evade mainland taxes, Warnerresales of properties with good fi-Lambert was forced to pay \$44.2 nancing.
The leading service industry in million in back taxes last year. Even some businessmen feel that the island's development prothe island is insurance. As of June

gram is unbalanced. "The answer to any developing country is agriculture," Mr. Loinaz said. "We have the land, the sun, the water, the East Coast markets;

we could be better than Florida.

With agriculture, we wouldn't have

to be beggars." Before working for Waters, Mr. Loinaz spent four years trying to set up a business to grow high-value medical plants, which pharmaceutical outlits in Puerto Rico import from as far away as the Himalavas. But the government refused to help. "I was talking about advanced agriculture and they were talking about machetes with mohe said. "We never commu-

During the rapid industrialization, farmland, which once covered 90 percent of the island, dropped to less than 60 percent. Although farm workers now receive the minimum wage, they make up 4.8 percent of the labor force, against 36 percent in 1950.

cent a year in the last three dec-

and 50,000 home needlework jobs were lost. The 140,000 new manufacturing positions only partly re-placed them, and a large popula-tion increase contributed to major unemployment.

Today, Puerto Rico imports \$1.2 billion worth of food, mainly from the United States, including rice from California, oranges from Florida and even sugar, which can be produced more cheaply abroad because of mechanization.

The government has recognized the absurdity of paying high prices for imports that could be grown on the island. Past governments "failed to pay enough attention to agriculture," Gov. Romero Barcelo said. "In the 1940s, when the share of industrial income became larger than agricultural income, it was almost a celebration. When the economic development administration promoted an industry, it didn't matter how much it contaminated the environment, disrupted the community or destroyed agricul-

Gov. Romero Barcelo has undertaken a 12-year agricultural development plan. Resources devoted to the endeavor are limited, however, and the first step, a project to plant rice — a principal staple -- has been hampered by improper site preparation, inadequate equipment and inaccurate cost estimates.

Ruben Berrios Martinez, the leader of the Puerto Rican Independence Party, calls the current economic system colonialist, and predicts that it will produce even greater dependence on food stamps and other federal funds, which now add up to one-third of the island's gross product.

"Puerto Rico is on the way to becoming a stagnant, totally dependent, mortgaged society, sub-sisting on the dole," he wrote in an article in Foreign Affairs. Mr. Berrios Martinez said that Puerto Ricans must stop living "as welfare recipients in an artificial economic structure designed for the benefit of U.S. corporations."

Benjamin Ortiz of Mision Industrial, a local environmental group, speaks of "an illusion of prosperi ty." It is, he has said, "prosperity based upon dependency and a very fragile economic structure which has 20-percent unemployment, which is not exploding because of food stamps and all the other federal aid programs. Capital circulates but never accumulates ... If there is no accumulation of that capital for the future of the Puerto Rican nation, there is no develop**FULL BANKING SERVICES**

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The Services Sector in a Consumer-Oriented Society Internal Revenue Service Code are month, a near standstill in con-

By Ciela Bexon

SAN JUAN — Not surprisingly, San Juan is the nucleus of Puerto Rico's services sector banking and financial services. marketing and distribution activities, advertising, and real estate,

among other things. Puerto Rico has been cited by many economists as having one of the most consumer-oriented societies in the world. Individuals spent nearly \$3.4 billion in fiscal year 1979-1980 on services, while government spending for services amounted to \$506.6 million during the same period.

Of primary importance to the economy is the banking system. The 17 commercial banks and 14 small loan companies are carefully monitored by the island's Treasury Department while the 12 chartered island savings and loan institutions respond to the Federal Home Loan Bank. All deposits in island commercial banks are insured up to \$40,000 by the U.S. Federal Deposit Insurance Corp. Savings and loan deposits are also federally insured.

At the end of calendar year 1980, the Treasury Department reported total assets of the island's commercial banks, plus the two government banks, at nearly \$9.7

Although several large U.S., Canadian and Spanish banking institutions have big operations in the island, it was a local bank -Banco Popular — that posted the largest net income for 1980 with a total of \$23.5 million. At the end of the year, its assets stood at \$2.6

billion Following Banco Popular

was another local bank, Banco de Ponce, which posted earnings of \$9.2 million and total assets of

\$1.31 billion. It was generally a bad year in profits for the island's 12 savings and loan institutions. First Federal Savings, the island's largest S&L. reported losses of about \$3 million for the first quarter of this year, nearly as much as it lost in all of

last year. Although money market funds have not had the same detrimental effect on local thrift institutions as on the mainland, the S&Ls have been besieged by current high mortgage interest rates and the cost of money. As short-term interest rates have risen, the S&Ls have had to pay more for their lending funds while the average return on their mortgage portfolios remains at rates as low as 6 percent for old mortgages.

Nevertheless, the S&L bankers expect to improve their position this year because legislation that ame effective on Jan. 1 authorizes these institutions to enter business areas previously reserved to commercial banks. For the first time this year, for example, they will offer interest-bearing checking accounts.

Early last year, the government approved legislation designating Puerto Rico as an offshore banking center in an effort to put Puerto Rico in a direct competitive position with offshore centers such as Nassau or the Grand Cayman Islands.

Funds generated by local subsidiaries of U.S. manufacturing op-erations under the Industrial In-

centives Act and Section 936 of the

referred to as "936 funds."

Despite the heavy flow of funds enerated in the local market by the so-called "936 corporations (\$6.3 billion at the end of 1979), Puerto Rico's dream of becoming an international banking center seems to be fading. To date, the only bank to request a license for an international banking branch is newcomer to the island scene, Continental Illinois.

The deposits of these corporations in island banks had reached \$4 billion in the Treasury Department's last report. These funds have gone largely to finance more than \$2 billion in commercial and industrial loans. Banks handling these deposits are also required to maintain 20 percent of their Section 936 deposits invested in Puerto Rican government debt, and 10 percent has to be deposited with Government Development Bank. Approximately 50 percent of Section 936 funds are held in tax-exempt certificates of deposit. The only lending restriction is that the Treasury Department limits

ble activities. The Section 936 funds, coupled with the boom of money markets and high interest rates, have created a bullish atmosphere among brokerage houses in Puerto Rico.

the use of funds to a series of eligi-

For years, brokerage services in the island were offered by three major firms, Merrill Lynch, Paine Webber and Bache. Now there are seven firms, with three more intending to begin operations soon. Another important service in-

through agents. The trend has now shifted toward locally owned companies. Many foreign companies lost interest and retired from the local market, leading to a marked decline in the number of agencies. Brokerage firms, on the other

mainland brokerage firms have entered into affiliation or partnership agreements with the local houses. The insurance industry presently ranks third in gross national dustry is real estate. Mortgage interest rates that reached 17% last product behind

hand, have flourished. Several

manufacturing

nicated."

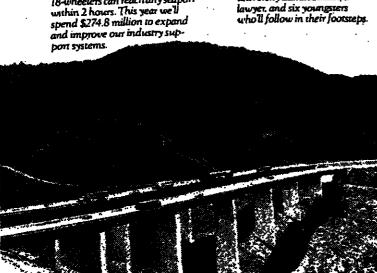
Employment grew at only 1 per-

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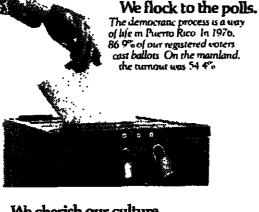


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PUERTO RICO

Industry Spotlight on Pharmaceuticals, Electronics

1960 was based on encouraging industrialization through tax exemption, cheap labor, the government's commitment to provide services, and the importation of capital from the U.S. mainland and the European Economic Community.

At the core of this strategy, which worked well for about two decades, was the creation in 1950 of the Economic Development Administration, known as Fomento. It was followed by a financing unit, the Government Development Bank, and a real estate division, the Puerto Rico Industrial

Development Corp. Today Fomento has shifted from the promotion of the laborintensive textile and apparel industries to the more capital-intensive pharmaceutical and electronics in-dustries.

About 150,300 people in Puerto Rico now work in manufacturing, compared with 42,000 when Fomento started its industrialization program. The average yearly payroll for factory workers has risen from about \$33 million at the start of the program to about \$936 million in 1979. Minimum Wage

Although total employment for 1980 was lower than the 1978 peak of 155,400, the marked increase in payroll is a clear indication of the predominance of pharmaceuticals and electronics — both of which pay better-than-average wages - and the adoption of federal minimum wages in Puerto Rico.

Despite higher wages and the Industrial Incentives Act of 1978 - which substituted partial tax grants for 100-percent tax exemption for manufacturing industries - new companies keep flowing to the island. Last year alone, Fomento promoted 215 industrial projects, an increase of 14 percent from 1979.

Fomento Administrator Jose Madera gave two basic explanato Rico as an international manufacturing center. "Clearly, the new Industrial Incentives Act still provides sufficient tax advantages to corporations, particularly for the so-called 936 firms, which are the local subsidiaries of U.S.-based

Through Section 936 of the U.S. Internal Revenue Code and Puerto Rico's tax exemption law, such businesses must pay a 10-percent tollgate tax for dividends expatriated to the mainland and paid to corporate shareholders. The law provides, however, for a 50-percent

SAN JUAN — The strategy for reduction if certain investment and ability and competitive edge of cheap foreign crude compared to

payout restrictions are met.
"Furthermore," Mr. Madera pointed out, "the productivity of the Puerto Rican workers has increased substantially in the past years, luring many of the technological industries to expand operations in the island, rather than in the mainland. In the area of electronics, Puerto Rico presents a definite challenge to California's 'Sili-con Valley' " — the Santa Clara Valley, where most such firms are

Textile Competition

Not all has been rosy for manufacturers in the island. Perhaps the most adversely affected have been the textile and apparel industries, which had their heyday before the adoption of the federal minimum wage. In addition to that factor and high energy costs, competition from countries such as Taiwan and South Korea has cut demand for

Puerto Rican garments. Nevertheless, in 1979 about 360 plants in Puerto Rico exported more than 450 million apparel items. At least 11 of these operations are subsidiaries of Fortune 1,000 corporations, some of which produce designers label items that require a good deal of quality con-

Another sector that has failed to live up to expectations is petrochemicals. In late 1955, Gulf Oil started the island's first refinery, and in January, 1956, the Com-monwealth Oil Refinery, or COR-CO, began operations at 23,000 barrels a day.

Gulf's crude oil capacity was eventually increased to more than 40,000 barrels a day, and CORCO now can process more than 140,000 a day plus 70,000 barrels of naphtha for petrochemical production. Phillips Petroleum started an operation in 1968 and Sun Co. came in 1971.

Through the early 1970s, a number of petrochemical plants began operations. Although a significant portion of the fuel is consumed on Puerto Rico, most of the products are shipped to the mainland.

Major exporting of petrochemicals was looked on as a short-term situation. The long-range plan was to develop downstream processing that would result in production of consumer items. This was especialencouraged because downstream industries tend to be more labor-intensive and environmentally more acceptable.

But, in addition to lower wages and tax exemption grants, a key These visitors spent \$595.7 million factor in attracting these opera- on goods and services in 1980. In factor in attracting these opera-tions to the island was the avail-addition, cruise ship visitors arriv-

cheap foreign crude compared to U.S. domestic oil - before the 1973 Arab oil embargo.

Since 1978, CORCO, the island's largest refinery, has been operating under the protection of Chapter XI of the U.S. Bankruptcy Code, and daily production is now 55,000 to 68,000 barrels of crude a day, well below the minumum needed to turn a profit.

Eduardo Lopez Ballori, director of the office of energy in Puerto Rico, said there are several plans in the making that could salvage the local petrochemical industry and aid CORCO.

The pharmaceutical industry, whose profits have been described as unholy but whose presence has been labeled a blessing to Puerto Rico, keeps a low profile while its size and profits grow by leaps and

In 1974, there were 58 pharmaceutical plants employing about 5.450 people. Last August, Fomento reported 86 pharmaceutical operations, with nine new plants being established, and total employment of more than 10,000. Ninety percent of the companies

-owned.

would all be bankrupt."

sinos as well.

taleza, which is now the mansion

of Puerto Rico's governor, Carlos

Romero Barcelo. Contemporary

British visitors seek the gold of

and perhaps a little from hotel ca-

San Juan is where nearly all of

the 1.6 million tourists who visit

the island yearly choose to stay.

Puerto Rico's sun and beaches

By Martha and Joel Magruder ing at the San Juan port for short of British tourists "indicate a high

companies is even more impres-

sive. From a total of \$92.4 million

in 1970, net income increased to

Electronics Opportunities

dustrial community that is unri-

valed for the opportunities for profit and growth it offers for elec-

trical and electronic manufactur-

describing Puerto Rico's electric

and electronics industry. Formen-

to's statistics show that this sector

grew 44.2 percent between 1978 and 1979 while its annual net in-

come increased from \$408.5 mil-

In almost every case, companies

have exceeded Fomento's employ-

ment quotas in record time. In ad-

dition, the island's electrical and

electronics companies have created

the need for another core industry,

electronic component manufactur-

lion to \$589.9 million.

"You are about to read of an in-

\$1.1 billion in 1979.

Pedro De Aldrey, a former Hilton International executive and find a hotel room, but a cannonball was shot through the dining room table in his ship cabin, it is Barely four centuries later, British visitors are no longer canno-naded but are eagerly sought and warmly welcomed in Puerto Rico.

Hugh Andrews, president of the Puerto Rico Hotel Association and in Puerto Rico. general manager of the Condado Holiday Inn, said that, were it not for the British tourists descending on Puerto Rico these days, "we Drake was seeking 35 tons of gold and silver stored in La For-

pel." said Mr. De Aldrey.

Dupont Plaza and Regency Hotel, has the bulk of the British business, is running at occupancy rates of close to 100 percent, against about 35 percent last year at this

Mr. De Aldrey said that surveys

During the last five years, the value of exports of pharmaceutical

distributorships.

Many of these firms buy their by 14 percent last year. products from Puerto Rico inraw materials from the mainland, creased steadily, from \$281.6 milbut some buy as much as possible lion in 1974 to \$883.4 million in on the island Many Japanese electronic firms have found their way The rise in net income for these into Puerto Rico as well.

Besides the government support for local industries, several active groups represent the different manufacturing sectors. Most notable is the powerful Puerto Rico Manufacturers Association, a nonprofit organization composed of more than 1,100 industry members with a common goal of improving the industrial climate in the island.

But while the list of industries So begins the Fomento brochure that have prospered in Puerto Rico in the last few years keeps expanding - including rum production, furniture, nonmechanical equipment and precision instruments two sectors have taken severe downturns: agriculture and con-

Long gone are the days when Puerto Rico was a top producer of sugar, coffee and lobacco. Al-though preliminary estimates of 1980 gross agricultural income give a total figure of \$578.7 million, 7 percent above 1979, it is important

ers, as well as for local component to note that government subsidies and incentives to agriculture rose

> The increase in gross agricultural income came mainly from coffee and starchy vegetables. While the volume of coffee production grew, sugar production dropped in 1980. However, Puerto Rico does a flourishing trade worldwide in tropical ornamental plants, and the government has intensified its efforts to develop rice production. Commercial banks and government institutions have increased

Investment in construction during the last 20 years has been one of the determining factors in the level of economic activity in the is-

loans to agriculture.

In fiscal 1975, the value of construction was \$1.487 billion, the highest level ever recorded in Puerto Rico. With the ensuing recession, increased interest rates and higher construction costs, the industry began a downward course, and the emphasis in construction shifted from private enterprise to the public sector.

-- CIELA BEXON

Tourism: Warm Welcome Replaces Cannonballs

SAN JUAN — Sir Francis Drake tried to visit San Juan in 1595. Not only did he fail to

now executive director of the goverument's Tourism Co., said that the Jetsave charter company from England brings in 485 British tourists a week on back-to-back jumbo 747s. In July, he said, this becomes once every two weeks, as most of the tourists then spend a fortnight

"The planes are coming in full," he said. For several of the luxury hotels, which have seen hard times, the British groups and a large number of French Canadian tour-ists are a bonanza, he said. "Stn Waters (general manager of El San Juan Hotel) is so thrilled that he now wears a British flag in his la-

100-percent Occupancy

El San Juan, which, with the

visits and servicemen on short degree of satisfaction with Puerto leaves spent about \$19.7 million.

Rico," something that he hopes to Rico," something that he hopes to see duplicated by German tourists with the advent of direct Frankfurt-San Juan flights on Lufthansa

"The Germans seem to prefer our out-island hotels," said Mr. De Aldrey. In fact, he added, Europe-an tourists tend to be far more adventurous than Americans, and

frequently go exploring. The Entire Difference'

But although Mr. De Aldrey said that he was interested in attracting Europeans from other markets, such as France, he and major hotel managers agreed that the United States, particularly the East, would continue to be their main market, with a combination of Europe and Latin American business in second place.

Puerto Rico is anticipating a cood early-summer tourist season following on the footsteps of a banner winter. Mr. Andrews of the Condado Holiday Im joined other hoteliers in attributing this to a widening of the tourist market.

Jag Mehta, general manager of the Caribe Hilton Hotel, said that he was indirectly benefiting from

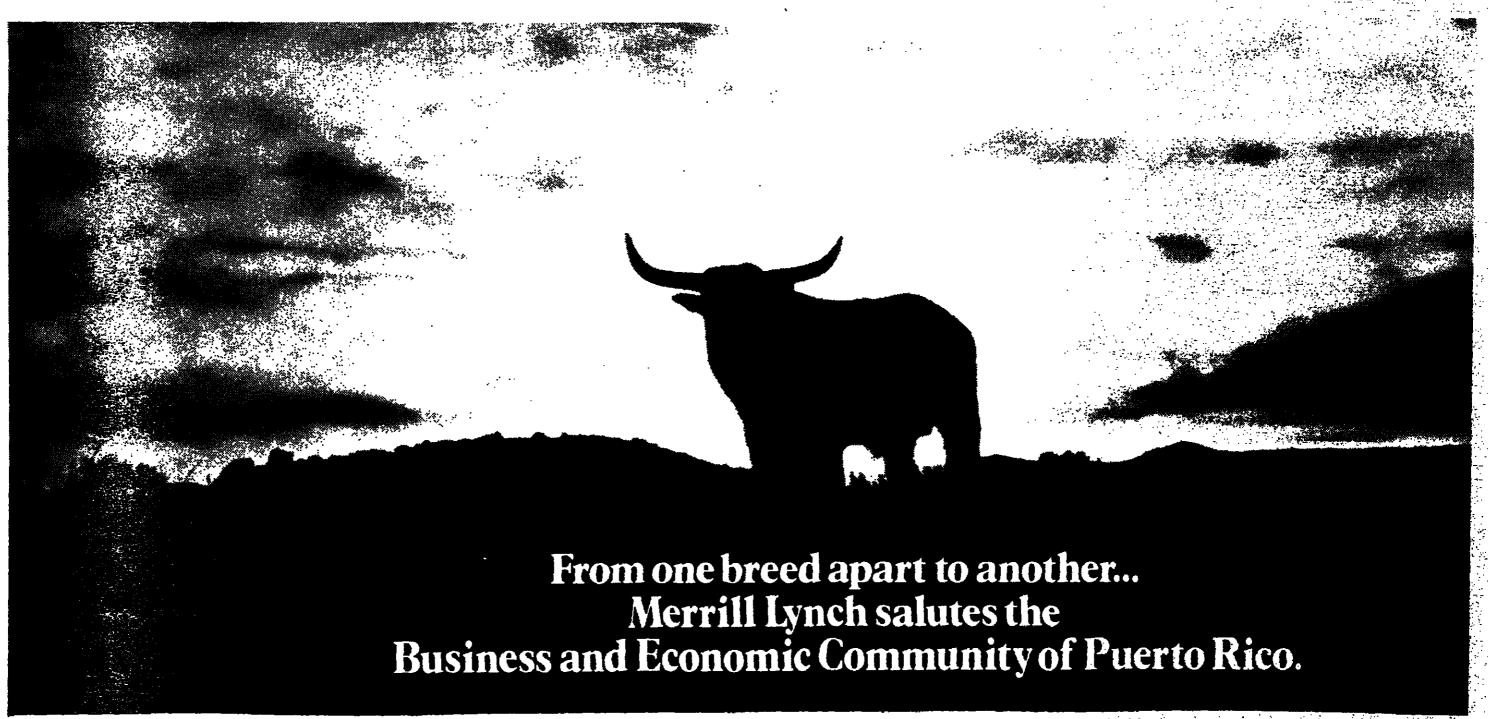
The British tourists are paying \$25 a night for a first-class room on the beach. If this is limited to two or three hotels, these hotels will make money and we, in turn, will benefit from their filled to ca-

pacity situation." Also filling Puerto Rico's hotel rooms is increased U.S. tomism, due, in large part, to the island's first major airfare battle.

Capitol International Airways recently entered the San Juan market previously controlled by American, Eastern and Delta. Undercuting the other arithmes fares by more than 50 percent, Capitol has caused them to make adjustments in their rate structures.

Capitol said that, since the price war began last November, its market share has risen to 25 percent. The airline's current round-trip fare between San Juan and New York is a little less than \$160.

During one week this May, hotel occupancy figures were up by about 32 percent from the same period last year. Mr. De Aldrey was the first to admit that one week does not make a year, but he added, "If one week can make you optimistic, then I'm optimistic."



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Page 11 Monday, July 6, 1981

Gulf Oil Haunted by Its Errors As Competitive Vise Tightens

By Douglas Marrin New York Times Service
PITTSBURGH — Few companies have a history as grand and glorious as that of Gulf Oil.

Born in the Spindletop gusher of 1901 and financed by the Mellon fortune, Gulf went on to challenge successfully the Rockefeller oil empire. In dizzying succession, it opened the world's first gasoline filling station, acquired oceans of oil beneath the deserts of the Middle East and the swamps of Vene-zuela, and firmly established itself as one of the leading producers, re-finers and purveyors of black gold.

Gulf is now the seventh-largest oil company in the world, the seventh-biggest company in the United States and a member of the planet's most exclusive business forority - the Seven Sisters of international oil. On a warm summer evening, the orange light emanating from the crown of the company's headquarters tower in down-town Pittsburgh seems to suggest power, confidence and even a trace of deserved simigness.

Appearances, however, can be deceiving. Over the last half deceiving deceiving deceiving deceiving deceiving deceiving deceiving deceiving deceiving deceived deceives in deceiver in dece orized foreign oil, declines in do-nestic output, a ludicrously disad-'antageous natural gas sales conract and a devastating change in mergy policy by the government n Canada, where Gulf has vast

Perhaps most painful, however, nas been the combination of harply reduced consumer demand md an overabundance of refining rapacity, an industrywide afflic-tion that is stinging Gulf particu-

'Shrinking Phase'

"Gulf is a company going hrough a shrinking phase," said sal Ilacqua, an analyst with L.F. kothschild, Unterberg & Towbin. Every time they straighten out heir business, something happens and they get hart," said Constanine Fliakos of Merrill Lynch, Pirce, Fenner & Smith.

Wall Street seems agreed that Julf will not be able to match its 980 earnings of \$6.70 a share (ex-luding a 51-cent gain from the ale of stock in the company's lanadian unit). The price of Gulf-tock has plunged by 35 percent in ess than year, and some oil ex-ous question: Is Gulf — whose venue last year totaled \$28.8 bil-

of hand — vociferously, vigorously, every way I could," snapped Jerry McAfee, the 64-year-old chairman. Readily admitting Guff has faces big problems, Mr. McAfee contended that the worst is behind, and things are on the

uptick.
Gulf, like other oil companies, is representative of a fundamental paradox. Control of foreign oil has slipped away, production from U.S. oilfields is falling and the market for petroleum products is

Yet, in the face of what would be a nightmare for almost any other business, things have seldom

We are now paying the price for some wrong decisions taken 10 years ago'

been rosier. The reason is a sixteenfold increase in the price of oil over the last decade. Sales, profits and assets have soared, as oil companies have directly benefited from the aggressive pricing of the

OPEC. "Adversity sometimes leads to strength," Mr. McAfee said, voicing a confidence that has characterized Gulf since its first president, James Guffey, dazzled turnof-the-century Texas society with his big black hat, stovepipe trou-

sers and loud waistcoats.

The company, more geared to light, low-sulfur crude than any other major, is now spending \$500 million to upgrade refineries to handle the heavier, more sulfurous crude oil increasingly prevalent these days. It acquired 700,000 exploratory acres last year, bringing its total inventory to more than 13 million. Through two acquisitions earlier this year it increased its coal producing capacity by 50 percent. And it has begun an ambitious program to sharpen its refining

and marketing operations.

In addition, Gulf is in excellent financial position with nearly \$2 billion of cash on hand, a Triple-A credit rating, one of the lowest debt-to-equity positions in the industry and a \$4 billion capital budget in 1981. Accordingly, the company argues that, after years of floundering, it is now firmly on the right track.

"We are now paying the price for some wrong decisions taken 10 years ago," Mr. McAfee said, on — a company on the ropes? wincing as he recalled Gulf's fail—
"I would reject that question out ure, at a time when he was not in wincing as he recalled Gulf's fail-

able to market three- and six-

SYNDICATED

LOANS

The dollar portion is a classic

operation: An eight-year loan with

interest set at a quarter-point over the London interbank offered rate

for the first two years, rising to %

point for the following three years

and settling at a half-point over Li-

bor for the final three years. Be-

cause the loan is to be repaid in three installments starting in the

fered to institutional investors.

prominent exploration position in Alaska. "We are now in the period of time lag between putting forth additional efforts and tasting the fruits of them."

Perhaps. But analysts have criti-cized the company for a lack of crispness in corporate decisionmaking, illustrated by a start-andstop development of its huge Mount Taylor uranium prospect in New Mexico.

Further, Gulf's success hinges on the turn of events in the turbulent entrepreneurial arena of energy, where changes in consumer demand, catastrophes in far corners of the globe and decisions by governments can alter the landscape

In Gulf's case, worldwide oil production has plunged 80 percent over the past decade, even as assets have nearly doubled and profits have increased by 150 percent. This constricting character of the basic business is evident from the following facts:

 Both Venezuela and Kuwait nationalized Gulf's holdings in December, 1975. Largely because of these actions, Gulf has dropped to fifth position among worldwide crude producers, from second place in 1970.

 The loss of ready oil has been accelerated further as OPEC countries have cut major oil companies' share of the world's oil, to market it themselves. Last year, Gulf lost more than 500,000 barrels a day of long-term crude purchases, primanly from Kuwait, Venezuela and

 Domestic crude production has been on the decline. Last year it totaled 364,200 barrels a day, down from 425,500 in 1975 and 626,000 in 1970.

• Guif has cut daily worldwide refining capacity to 1.6 million barrels, from about 2 million five

 Once reputed to be one of the world's pre-eminent oil traders, Gulf's trading and transportation division last year handled just 806,000 barrels of crude, nearly 50 percent less than in 1979. This marks a continuation of a trend that has seen a cut in the number of tankers Gulf owns, leases and charters to 53, from 75 in 1976, from 99 in 1970.

Does all this mean Gulf is slipping into a different category from cxon, Mobil, Texaco and others of the Seven Sisters?

"We haven't been your typical sorority member," Mr. McAfee (Continued on Page 12, Col. 1)

of foreign companies to compete effectively in such large markets as cosmetics and tobacco.

Japan's Trade Laws Frustrate Foreigners

By William Chapman

Washington Post Service
TOKYO - Although Japan's formal trade barriers are being dismantled, foreign businessmen still find formidable obstacles to selling their merchandise in this rich mar-

One by one most of Japan's protectionist tariffs and quotas are disappearing, but the foreign seller encounters a maze of bureaucratic rules, commercial testing require-ments and cultural inhibitions that are often just as difficult to pene-

Foreign tobacco companies can sell cigarettes in only 14,000 of this

In steel, as in autos, the president made campaign promises to help the industry. He said it should have greater protection against

The president made good on the promise early this year by raising the so-called trigger

price, a mechanism that controls the flow of

steel imports. Foreign steel coming in below

the trigger price level risks a government inves-

tigation of dumping — that is, whether the steel was sold here below production costs.

Europeans Unhappy

drama. Europeans do not like the high trigger

price level. They say they should be cleared to sell below it — without risk of penalties —

because the devaluation of their currencies

against the dollar has made their steel exports

more competitive against domestically pro-

Fearful that the free-traders within the ad-

ministration would urge the president to concede this point and thereby undermine

steel protection, the steelmakers, led by U.S.

Steel, are threatening to file antidumping com-

plaints of their own. Such threats are not taken

lightly; they could start a process by which much European steel would be kept out of this

U.S. Steel Corp. filed such a case last year when the Carter administration first refused to

raise the trigger price and then suspended the

trigger protection temporarily. American steel

producers accused the Europeans of selling

here at margins of up to 80 percent below their cost of production.

U.S. Steel withdrew the complaint when the

But the curtain has yet to fall on the steel

Such a finding entails penalty duties.

duced steel.

"unfairly" priced foreign steel.

chases have opened a potential \$10-billion market to foreign sellers, who nevertheless complain the bidding rules are stacked against them. It is difficult to find out which cosmetic substances the government bureaucracy will permit in the market.

And beyond these so-called "nontariff barriers" lie the cultural facts of economic life in Japan: Long-standing business ties, often of an almost familial closeness. lead Japanese buyers to deal exclusively with Japanese suppliers.

Commitment Needed

Yet many successful American sinessmen here believe the market is open to the entrepreneur who tries hard enough and that the major obstacle is the failure of U.S. corporations to make the

long-term effort needed.
The time when Japan "rigged the rules" against foreign sellers is passing, Mark A. Zimmerman. president of the American Chamber of Commerce in Japan, said in a recent speech. "I am confident that American business can garner a significant share of the Japanese market if our corporations are prepared to make the same level of commitment per capita that they make to the U.S. and Canadian and European markets."

Mr. Zimmerman said that U.S. corporate investment is only onetenth the size of that in the United Kingdom, even though the returns on investment here average an annual 18 percent - enough to whet the appetites of any business per-

"American companies that have been here more than 10 years and have good local employes are the ones which succeed," Mr. Zimmerman added, "The others — what I call the toe-in-the-water bunch don't."

"You can sell to the Japanese, no matter what, if you have the better mousetrap," said William Kyle, a businessman whose new company acts as go-between for U.S. manufacturers and govern-ment agencies here. "But you've got to be able to service what you sell. If something goes wrong, the Japanese company expects you to have a service rep in their office within two hours. Not many American companies offer that."

Both sides of the argument about Japanese imports are apparent in the far-reaching agreement to open up Japanese government procurement to foreign suppliers. It centers on the \$3 billion market

(Continued on Page 12, Col. 5)

Japanese shoppers crowd around a counter in a department store. Regulations restrict the ability

Politics Testing Reagan Free Trade Ideals

Textiles, Steel, Tobacco Among President's Continuing Challenges world trade and has encouraged protectionist

neasures in industrial countries

By Clyde H. Farnsworth

New York Times Service WASHINGTON — "Free trade doesn't exist," contends Michael Samuels, who watches over international trade matters for the U.S. Chamber of Commerce. "It's like infinity you never reach it."

Nevertheless, judging from the statements of the Reagan administration, the removal of trade barriers to achieve free trade has a high order of priority.

Getting rid of tariffs, quotas and credit and other subsidies, along with buy-national procurement policies and other forms of trade dis-

NEWS ANALYSIS

crimination, meshes with a Reagan conservatism that elevates the marketplace as the favored instrument for allocating resources.

Two months after he overruled the freetrade purists in his Cabinet and decided, under pressure from Congress and the domestic industry, to induce Japan to undertake a program of "voluntary" auto export restraints, the president has now swung the pendulum back toward free trade with the recent decision on

He ended four years of protection begun when President Carter ordered import quotas on footwear from Taiwan and South Korea, whose shipments of shoes to this country represent a quarter of the domestic market.

New Tests

But new tests are coming, involving such po-litically sensitive commodities as tobacco, tex-tiles and steel, tests in which Mr. Reagan will again have to weigh domestic interests against international advantage.

Complicating all the cases is the bleak international economic climate that has already caused a sharp contraction in the growth of

Robert S. Strauss, the former Democratic Party chairman who managed trade negotia-tions during the Carter administration, was fond of saying that, for every two steps for-ward toward the objective of free trade, you had to take one step backward to guard the flanks and muster political support. Mr. Reagan is getting similar advice from

his own chief trade negotiator, William Brock, the former chairman of the Republican National Committee. It was Mr. Brock who held the middle ground in the debate over Japanese autos against the free-trade purists from the Office of Management and Budget, the Treasury and State Departments and the President's Council of Economic Advisers. The Brock strategy, which Mr. Reagan final-

ly approved, was to use a threat by Congress to egislate severe import restrictions for Japanese autos as a way to persuade the Japanese to act "in their own best interests," as Mr. Brock put it, with a "voluntary" program of The politics of automobiles are different

from shoes. The president had campaigned in Michigan and other auto-producing states with the promise of curbs against the Japanese. He made no similar pledge in the shoe-producing

The auto industry is bigger, far more concentrated, employs three to four times more workers and thus has more political power. The geography is also different. Shoes are made largely in the Northeast, in states where the president owes few political debts. And the shoe industry had already enjoyed four years of import protection while the auto imports had been unrestricted.

Textiles, steel and tobacco could pose tougher problems. Textiles and tobacco are produced largely below the Mason-Dixon line in states that were strongly pro-Reagan in the election.

kept the pressure on the Reagan administra-

Carter administration restored the trigger protection, but it and other steelmakers, who prepared similar cases but did not file them, have

France Sets Complex Borrowing Operation

By Carl Gewirtz. nal Herald Tribune

PARIS - The government of rance, through Credit National, back in the Euromarket and lead nanager Credit Lyonnais is ispensing aspirin to potential

The headaches are not related to re name of the borrower - it is niversally accepted that the victoy of President François Mitterand and his appointment of four communists to the Cabinet have ad no adverse impact on the naon's credit standing - but to the tricacies of the operation.

The complications involve the ortion of the loan denominated in unopean currency units — the of-cial unit of account of the EEC. he transaction is composed of

200 million ECUs (equal to about \$220 million) and \$200 million. sixth year, the half-point margin The ECU portion of the syndito about 0.40 percentage point cated loan will actually serve as a back-up line in case banks are not

Credit National will have eight month ECU notes that will be offrom Nov. 1.

The ECU portion, complicated as it is, will be considerably more profitable for the banks - even from the commissions Credit National will pay. Managers, for example, will take 7.5 million of each tranche, earning 3/32 percent on the dollar portion and 13/32 per-cent on the ECU part. The sharply higher fee paid on the ECU tranche is a recognition of the price to be paid to open a new

Comanagers, who will take 5 million of each transaction, will carn a commission of 2/32 on the dollar portion and 10/32 percent

year, 70 million ECUs by the end of the fourth year and zero at the end of the fifth year. Theoretically, sold the day before they expire, producing a maximum life for the ECU operation of 5½ years.

days notice before drawing ECUs, which will be in minimum amounts of 40 million. During the first seven business days of that 10-day period, a group of dealers (led by Goldman, Sachs and in-cluding seven of the nine managers of the credit facility) will endeavor to sell three- or six-month notes (the choice is Credit National's) on à "besi efforts" basis

5.5915

The dealer group will then inform Credit Lyonnais how much they were able to sell. Whatever amount is mosold will be allocated to the banks participating in the credit facility on the third day be-

The dealers will earn a commission of % percent on the amount of notes they have placed, and they will make a market in the ECU

The notes will be sold to investors in minimum denominations of 250,000 ECUs at the ECU interbank offered rate. This represents some inducement to purchasers because they would get only the in-terbank bid rate if they went to make a deposit in ECUs, and deposits generally are in denomina-tions of 1 million ECUs. The difference between the bid-offered interbank rate is about % percentage

Banks participating in the credit facility earn a quarter-percent "stand-by" commission on any un-drawn portion of the ECU loan. On any amount of drawing that is placed in the form of notes, they will get an "underwriting" fee of % percent. On any amount they lend to the borrower directly, they will earn a commission of 1/2 per-

If the notes are not sold and banks are called on to supply the funds and if the banks do not have the ECUs to lend, Credit Lyonnais says it will attempt to provide them with the necessary amount of ECUs. Conditions on that transaction will be negotiated between the banks.

From Credit National's point of dealers sell the notes to investors or whether banks advance the credit. The reason for going through all these complications is that the the French government

(Continued on Page 15, Col. 6)

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Westdeutsche Landesbank Girozentrale Dean Witter Reynolds Overseas Ltd. Wood Gundy Yamaichi International (Nederland) N.V.

Market Again Falls Prey **To Surging Interest Rates**

By Carl Gewirtz al Harald Tribute

PARIS - It was the same old,

nd by now boring, story last work f rising short-term interest rates nuffing out what had been a uoyant market for Eurobonds. The cost of overnight money in lew York hit 23 percent before asing slightly to around 19 perant and, most troublesome to the sarkets, the Federal Reserve was ot doing anything to reverse the end. There was no shortage of asons to explain the upsurge savy end-quarter demand for ish for bookkeeping reasons and long holiday weekend with markets closed Friday for the

ly Fourth holiday. Most analysts remain convinced at the increase is an aberration id take heart from the reports of apparent slowing in economic tivity and a slowdown in inflain (oil prices were inching lower d food prices continued to de-The evidence of a slowing econry came in the government's in-

of leading indicators, which opped a sharp 1.8 percent in ty, and the 0.6 percent rise in w factory orders, which after adtiment for inflation and special pations in sut Salomon Brothers econoth Henry Kaufman remained
pitcal. The acid test for how
the economy is slowing, he
ucd, will be how the demand
cash slows. Notice neasure of the money supply increasing at a rate exceeding Fed's targets while the narer Mi-B measure was well

nin its target, he reported that

Fed will have its hands tied by divergence in these growth

commitment to money growth targets, a significant decline in the funds rate (the cost of overnight money) in the next several weeks, though widely anticipated, will depend upon moderation in the demand for funds, emanating from a

EUROBONDS

slowing economy, rather than upon an enlarged provision of reserves by the Fed," he said. With the cost of short-term

money gyrating upward, the cost of holding bonds paying 14-to-16 percent annual interest with borrowed short-term cash became prohibitive, and dealers sold what inventory they could to escape from the squeeze. This was espe-cially true in New York, where bond prices plummeted.

By contrast, Eurobond prices were relatively more stable. Dealers here maintain that their bond inventories are minimal. bonds that have been issued, they report, have been sold to final investors who are less likely to flog their holdings onto the market just because of a blip in interest rates. But from all outward signs, these investors were not rushing

into the market to buy more paper at a discount but were sidelined waiting to see where rates settle. The damage from the gyration in interest rates over the past two years is that no one is anymore willing to "take a view" about where the market is headed, but rather will only react to the day-today trend in rates. Bond markets "open" when rates blip lower and slam shut when they blip up.

(Continued on Page 15, Col. 6)

The only active sector of the market is equity-linked converti-

applies to a decreasing principal and the average spread works out

Higher Profits

months from the signing, expected later this month, to draw down this loan, and lenders will earn a quarter percent commitment fee on the undrawn portion starting

The maturity on the ECU loan will be a maximum of 5½ years, and the size of the facility will be progressively reduced to 135 million ECUs at the end of the third year 70 million ECUs has the end however, six-month notes could be

Credit National is to give 10

CURRENCY RATES

Interbank exchange rates for July 3, 1981 1981, excluding bank service charges.

F.F. It.L 46.78 * 0.2224 6.905 129 * 42.10 * 2.005 x D.AL 111.19* 16.3937 14,741 89,98 ° 5,8605 448,95 291,39 19.853 237,41 • 4767 x 1.927 85,8546 • 34,0743 • 0.1719 5,724 2,0685 1,0443 21245 14467 27445 -77.1684 5.2274 -2.8039 41,2282 2,1659 2.522 5,9875 1,256.29 **Dollar Values** Per U.S.S Currency Per Equiv. Currency 0.4649 Singupore i N.A. S. Africon road 0.0114 S. Korean war 0.0153 Senetish krons CHITTEDEY tsrueti shekel 11.75 Japanese yes 228.10 0.6725 29 17.045 Japanese vest 228. v Kurustii diner 0.2229 Maley, ringult 2.341 4 Norw. krone 6.845 7 Phil. pees 1.567 44 Port. escude 63.90 9.417 N.A. 1.2026 7.575 4.497 \$8.45 3.5348 0.4272 0.1654 0.5297 0.0156 0.1952 0.0075 0.0477

(a) Commercial franc. (b) Amounts needed to buy one pound. (*) Units of 180. (x) Units of 1,900.

(Continued from Page 11)

conceded. Gulf has the particular disadvantage of never having had access to Saudi Arabia's huge crude supplies — at \$32 a barrel the cheapest crude oil available in the world. In what turned out to be the company's biggest mistake ever, 50 years ago. Gulf spurned an offer to enter the desert kingdom as one of its first petroleum

More than other major oil companies. Gulf has traditionally preferred to grab the bulk of its profits from finding and producing oil. Just 10 years ago, the company had considerably more crude than it could refine and market itself, and was in the enviable position of peddling its surplus.

Steady Decline

But now, not only is worldwide production slashed, but also, analysts think, there is little likelihood that Gulf will be able to halt the steady decline in its U.S. produc-

Another often-cited trap is a 1964 natural gas sales contract under which Gulf must sell 24 percent of its gas for 19 to 22 cents a thousand cubic feet to Texas Eastern Transmission, substantially below its average price of \$1.71.

Mr. McAfee said that the contract ends in 1986, and early renegotiation is likely. "It is in the interests of Texas Eastern to renegotiate now in order to have access to significant additional gas at the end of this contract," he said.

Mr. McAfee acknowledged Gulf's problems, but is optimistic. "Although flattening out the decline in domestic production is proving to be frustratingly difficult, it is a challenge we must overcome," he told analysts last De-

In particular, Gulf believes there is considerable promise in the Overthrust Belt of the Rocky Mountains, the Gulf of Mexico and a bevy of other areas so secretive that Mr. McAfee does not discuss them.

Domestically, then, the compa-ny is counting on loads of serendi-pity laced with the latest in geophysics and petroleum engineering and a tough bargaining postion.

Worldwide, Gulf's problem is akin to trying to compete in the lemonade business if your biggest competitors can buy lemons for a dime when you have to pay 15 cents. Further, people are drinking less all the time and you have to slash prices to sell any at all. A money-losing proposition? Of

course. Exxon, Mobil, Texaco and the Standard Oil of California the four biggest oil companies in the United States — buy the bulk of their crude oil from Saudi Ara-bia at \$32 a barrel. Gulf gets the majority of its foreign crude from West Africa at \$40 a barrel. And, given an inability to pass on these full costs in today's highly competitive environment, it loses \$3.50 or more on each barrel of Nigerian oil it refines.

Largely because of this, Gulf lost \$197 million from U.S. refining and marketing operations in the first quarter, versus a profit of \$142 million in the first quarter of

Gulf's strategy for dealing with the squeeze is first to reduce the amount of oil its buys from Nigeria to the lowest level permitted under its contracts, and second, to press hard to convince Nigeria to lower its price. Oil experts seem to agree that African petroleum prices are on their way down. "It's got to come down from where it is now," John H. Lichtblau of the Petroleum Industry Research Foun-

Additionally, Gulf is cutting its refining capacity. Worldwide, capacity has fallen 20 percent in five years, and domestic capacity has been cut 8 percent with the closing of two refineries last year.

Canadian Question

For future crude supplies, Gulf is counting on an extrapolation of some existing trends. By 1985, it expects its daily output from Nigeria, the company's biggest source of crude, to increase by 50 percent from last year's 112,000 barrels a day, and North Sea daily output is expected to double by 1984 from this year's 35,000 bar-

The big question mark in terms of exploration and production is Canada, where price controls hamper profit potential and more important — a new energy policy is making it very difficult for U.S. companies to operate, partly by giving Canadian-owned companies financial incentives to explore in treacherous frontier areas that are not available to U.S.

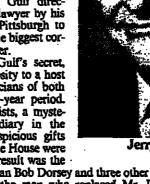
companies. Gulf, which has major interests in two of Canada's hottest frontier plays. Hibernia and the Beaufort Sea; acknowledges that it has looked into a variety of ways to increase Canadian ownership, but it says no solid plan has been

Mr. McAfee noted that Gulf would be eligible for the frontier incentives if it "farms out" a ma-

McAfee: A Change In Image

New York Times Service Five years ago, Gulf directors, each with a lawyer by his side, huddled in Pittsburgh to deal with one of the biggest corporate scandals ever.

At issue was Gulf's secret. and illegal, generosity to a host of powerful politicians of both parties over a 15-year period. High-living lobbyists, a mysterious Gulf subsidiary in the Bahamas and suspicious gifts to the Nixon White House were all involved. The result was the



removal of chairman Bob Dorsey and three other top executives. Jerry McAfee, the man who replaced Mr. Dorsey as Gulf's chairman, has devoted a great deal of his tenure to closing the book on this sorry chapter. "I had to spend whatever time was required toget those things properly behind us," he said. Those who watch the company think he has done quite a job. As head of Gulf Canada in those days, he was not touched by the scandal.

The prime purpose of McAfee was to change the image of the company from one guilty of a crime to a decent corporate citizen, Charles C. Cahn, analyst with Sanford C. Bernstein, said, "He has done a good job." Today, Mr. McAfee is able to boast that Gulf, as a corporation.

makes no campaign contributions and does not even maintain a

political action committee. Instead, he says, the company is con-

tributing expertise, partly through his personal contacts with all three Energy Secretaries who have held the office. "It is possible to participate effectively in the governmental process by making contributions of other things than money," he

jority portion of its ownership to Canadian-owned companies, in re-turn for those Canadian companies picking up the check for drill-ing the well. Because of the big expense of drilling in difficult offshore areas, Gulf would have farmed out much of its acreage in

any case, he said. Capital, Mr. McAfee said, is the company's major, almost unquenchable need, despite its current large pool of cash. Both Gulf and Gulf Canada will soon have to go to the debt market, he said, and the company is cutting back expenditures for projects with an uncertain payout — among others, most synthetic fuels projects.

Long-Term View

Does this mean Gulf is sacrificing its future for a comfortable present? "It is a great temptation to put everything we've got into the immediate, short-term quick payoff items," Mr. McAfee said. Nonetheless, Gulf continues to be heavily involved in the Rio Blanco shale oil project in western Colorado, in partnership with the Standard Oil of Indiana, and predicts that the project may yield 50,000 barrels of synthetic oil a day by

Over the short term, analysts are

watching closely to see if Gulf will pull back more - close another big refinery, for example, or abandon more markets. Since 1970, Gulf has shut down 20,000 gas stations, 14,450 of them in the United

Intriguingly, Mr. McAfee, who said he "hopes" that directors may soon raise the dividend, disclosed that Gulf is "seriously considering" buying a block of its own stock, something the company did in 1973 when it bought back \$341 million worth. This would tend to bolster the stock price by increasing earnings per share, a key deter-minant of share prices.

But such a move would also represent a deliberate shrinking back of the size of the company, almost an admission that shareholders might find a better way to spend the money than Gulf itself could.

Brazil's Inflation Slows

RIO DE JANEIRO - Brazil's inflation rate slowed for the third successive month in June, falling to an annual rate of 117.3 percent from 120.2 percent in May, according to figures published Saturday by the independent Getulio Vargas Foundation. U.S. Increases Oil Reserve at Record Rate

By Nicholas Moore

WASHINGTON - The U.S. government is increasing its oil reserves at a record rate and is encouraging its allies and the major oil companies to do the same, U.S. officials say.

Officials said in recent interviews that despite the current world oil glut, the United States was concerned that a new supplycrisis could be encountered within a few years. Energy Secretary James B. Ed-

wards' special assistant, Ben-Rusche, said the United States was filling its strategic petroleum reserve at a record average rate of 200,000 barrels a day. "We are moving vigorously to take advantage of a soft market, without overdoing it and bidding it

wise," he said. U.S. allies and major oil companies are being urged to take advantage of the present glut to build

up, and there is no question we

would like the industry to do like-

their crude oil stocks to a record 120 days supply against the 90 days that until now has been regarded as adequate.

"Not all share our view, but we are hopeful our partners will come to see it our way," Edward Morse,

deputy assistant secretary of state, But the oil companies are less.

MEXICO CITY - Mexico plans

to ban French companies from

working on government projects

and suspend economic coopera-

tion agreements in retaliation for

France's refusal to accept an oil price increase, the official Notimex

In a three-paragraph dispatch,

Notimex said the Minsitry of Na-

tional Properties and Industrial

Growth had stated that "the con-

press agency said Saturday.

They face the cost of maintaining high stocks and crude oil prices that, despite recent reductions, still average more than \$34 a barrel

against \$2 dollars a barrel a decade

But Mr. Morse said he believed that only high Western and Japa-

nese stocks last autumn prevented.

a replay of the 1979 energy crisis

when the Iran-Iraq war broke out.

tract for the supply of Mexican oil

to France is part of a wider eco-

nomic cooperation agreement be-

company Total's decision not to

accept the \$2-a-barrel price in-

crease in crude that it buys from

Mexico, Notimex said French

companies "will withdraw from

participation in the Mexico City

subway, automobile production

and reactors for Mexico's nuclear

Because of the French state oil

tween both governments."

in Iranian oil sales caused panic buying by oil companies, and the

resulting shortage doubled the OPEC price within the year. The shippish economic perform-ance of the Western economics has been a major factor in creating the present oil glut. Although demand will increase with any revival in economic output, officials at the Energy and State departments doubt this will be enough to create a tight market for about three

But the Reagan administration has sought an early Energy De-partment review of U.S. contingency planning against future interruptions of oil supply.

Saudi Arabia, the higgest ex-porter, while pursuing price moderation and pledging oil sup-plies to the West, has in the past criticized Western oil stockpiling. U.S. officials said that such criti-

cism was now less in evidence and that there was no sign the Saudis were ready to cut oil production.

Japan's Trade Laws Frustrate Businessmen

France Gets Threat From Mexico

in products bought annually by Nippon Telephone & Telegraph.

Since the agreement went into effect in January, the company has abided by the rules and advertised bids for foreigners. But U.S. businessmen complain the bids close after 30 days, not long enough to prepare an offer. A Houston company received an ad for computer equipment two weeks after it was offered, took one week to prepare its bid, and mailed it in. It arrived one day after the bids closed.

The other side of that coin is that few U.S. companies compe-tent to bid on sophisticated electronic equipment have offices here. So far as could be learned, no U.S. company has opened an office here since January specifically to take advantage of the new market.

Long a citadel of protectionism, Japan, under pressure from foreign governments, began dismantling tariffs and quotas in the 1970s. When the new agreements reached under the Tokyo Round of trade negotiations are in place, Japan's market will be technically as open to foreign sellers as the U.S. and European markets.

Agricultural commodities are an exception. Japan's market is still studded with quotas and tariffs on farm products, reflecting the pow-er Japanese farmers wield in poli-tics here. Finished leather goods also are protected strongly. But many businessmen insist

that Japan imposes excessive testing and safety rules that have the effect of discouraging foreign companies from entering the market.

For example, U.S. automobile companies insist that the price of their vehicles is inflated beyond the competitive edge by Japan's

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strict safety requirements. Japan requires a special heat-shielding device around every car's catalytic converter. Americans say it is not necessary. Japanese say it is needed to prevent heat generated at high speeds from causing brush fires in rural areas.

Added Cost

Needed or not, the heat shield adds about \$250 to the price of each Chrysler brought into Japan, a company spokesman said. It costs only \$45 on a Japanese car because it is installed in large volumes in Japanese factories.

Other impediments seem more blatant. Although U.S. tobacco is eagerly sought here, the Japan To-bacco and Salt Monopoly, a government corporation, has a vested interest in keeping it out. The monopoly insists that each outlet selling foreign tobacco must have a certain amount of capital and must be located where there is a certain amount of daily passersby as potential customers. It almost must order at least 30 cartons of cigarettes a month from foreign sup-

The monopoly argues that such rules are needed to protect the outlet from going bankrupt. Such paternalism has the effect of permitting only about 14,000 outlets to deal in foreign tobacco. Under foreign pressure, the monopoly has agreed to bend the rules "flexibly" to permit about 20,000 outlets to handle foreign tobacco by the end

of this year. Gradually, some of the barriers have been worn down by persistent outside pressure over the years. Mr. Zimmerman cited a case in the pharmaceutical industry in which, at one time, foreign companies had only one year of protection from competitors when they submitted new products for testing

and monitoring in Japan Japanese companies enjoyed three years of protection for newly licensed

drugs. Under pressure, the Ministry of Health and Welfare agreed to make it six years for both foreign and domestic producers. "We are now in an equal position and a better position," Mr. Zimmennan

Amid falling tariffs, fading quotas and persistent outside pres-sures, Japan in the 70s increased substantially its imports of manufactured goods. They more than doubled between 1970 and 1979. But in 1980, they actually declined by about 2.5 percent from the year before, a retreat Japanese attribute to slimping demand here.

Trade Delicits

Even after a decade of change, Japan remains far behind Western industrial nations in terms of manufactured imports as a proportion

of total imports. It imports large quantities of oil and other raw materials but comparatively small amounts of foreign manufactured goods. Last year, only 22 percent of its imports were in manufac-tured goods. The percentage was 55 percent in the United States and 44 percent in Europe.

That low level is a major factor in the trade deficits that Western countries suffer with Japan. The United States had a \$10 billion deficit with Japan last year. Europe's was \$11 billion.

Those delicits have prompted both Europe and the United States to demand that Japan open up itsmarket, and there have been blunt warnings from some European countries that Japan must open the door wider or face spreading, overt protectionism. ...

The Japanese Poreign Ministry has responded by insisting that, as measured by tariffs and quotas, Ja-pan's market is as open as others.

Economists Critical of Bonn Policy

BONN — A committee of economic advisers Sunday gave the West German government a special report that criticized the government's high borrowing and the Bundesbank's policy of high interest rates, sources said.

Opponents of the high interest policy say it is preventing the country from pulling out of reces-

The sources said the new report also strongly urged more moderate wage settlements. But a committee member said criticism of trade unions over high wage agreements split the group and one of the economists submitted a dissenting opinion.

The committee, five university

basis every year for the govern-ment's budget strategy and makes recommendations to the administration if policies on growth price stability, balanced trade and full

employment appear endangered.

This is the first time since 1977 that the group has presented a special report on its own initiative. The report comes at a crucial moment because the government will begin discussing major public spending cuts for the 1982 budget later this month.

Last December, the committee

predicted a recession of less than 1 percent of the gross national product in 1981, but the government now expects a downturn of 1.5 per-

(These securities have not been offered or sold in the United States or Canada. All of these securities having been sold, this announcement appears as a matter of record only t



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Cas S Founders Greekling of the committee of t nds: 7.36 NL 17.06 NL 9.91 19.83 7.64 8.25 50.38 NL 9.26 18.14 32.89 NL 50.47 NL 64.15 NL 81.48 NL de l'Indochine et de Suez as adviser to the Chairman in 1979 and became subsequently deputy chief executive officer from April 1980. 15.87 14.12 13.55 14.49 9.10 9.73 17.70 NL 11.78 12.87 1256 13.56 833 8.98 10.20 11.00 11.10 11.97 17,78 12.67 12,79 9.61 4,14 6.71 12,47 13,56 9,77 19,48 11,16 12,20 12,59 13,87 12,59 13,87 12,59 13,87 12,59 13,87 8,13 8,89 7,62 8,33 7,62 8,33 7,62 8,33 7.35 B.83 5.58 6.10 13.96 15.19 12.77 13.96 26.22 NL 23.52 25.57 704P: 14.24 14.54 18.03 6.57 7.18 6.10 6.29 10.35 11.31 11.51 2.46 NL 22.01 NL 23.01 NL 15.13 NL 9.24 NL unavoli 8.86 NL 18.57 NL 15.75 NL 29.72 NL 12.23 NL 17.78 NL NL NL 1267 13.76 14.24 17.37 14.24 17.37 11.34 12.46 15.15 14.20 14.68 17.84 14.17 NL 9.03 NL LA REDOUTE À ROUBAIX organized under French Law (Société Apontom 5.08 5.55 10.12 11.04 6.54 NL 12.85 NL 28.46 NL 164.55 NL 77.67 NL 8.85 9.49 Capital: Franch francs 46,289,450

Red Head Office: 57, rue de Blanchemaille, 59100 ROUBAIX (France)

Trade register: R.C.S. ROUBAIX B 475682 522. The Ordinary General Meeting of the noteholders 143% 1980-1985 LA REDOUTE À ROUBAIX, held on June 30, 1981, has appointed: as permanent representatives: • Mrs. Madeleine PRAT, residing 54, rue de Biarritz, iv: unavali unavali 71.07 71.42 95400 ARNOUVILLE-lès-GONESSE (France) • Mr. Gérard le PROUX de la RIVIÈRE, residing, Funds:
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150 NIL 49, Impasse des Marronniers, 78870 BAILLY (France) 7.4) 10,09 12,91 13,52 14,71 15,77 1,68 NL 11,43 NL 12,50 NL

Final Notice of Redemption

OakIndustries International N.V.

81/2 % Convertible Subordinated Debentures Due 1995

(Convertible into Common Stock of, and Guaranteed on a Subordinated Basis as to Payment of Principal, Premium, if any, and Interest by, Oak Industries Inc.)

> Redemption Date: July 9, 1981 Conversion Right Expires: July 6, 1981

OakIndustries International N.V. has called for redemption on July 9, 1981 all of its outstanding 8½% Convertible Subordinated Debentures Due 1995 at a redemption price of 106% of the principal amount of Debentures plus accrued interest through July 9, 1981, for a total of \$1,129.65 for each \$1,000 principal amount of Debentures. The Debentures are convertible into shares of Common Stock of Oak Industries Inc. until the close of business on July 6, 1981, at a conversion price of \$23.00 per share or 43.48 shares of Common Stock (adjusted for the 2-for-1 stock split paid March 26, 1981) for each \$1,000 principal amount of Debentures. As described below, based upon current market prices, the market value of the Common Stock into which each Debenture is convertible is greater. value of the Common Stock into which each Debenture is convertible is greater than the amount of cash which would be received upon surrendering a Debenture for redemption. All rights to convert the Debentures into Common Stock of Oak Industries Inc. expire as of the close of business on July 6, 1981.

Notice Is Hereby Given to the holders of outstanding 81.2% Convertible Subordinated Debentures Due 1995 (the "Debentures") of OakIndustries International N.V. ("International") that in accordance with the terms of the Indenture dated as of September 15, 1980 (the "Indenture"), among International, Oak Industries Inc. ("Oak"), as Guarantor, and Continental Illinois National Bank and Trust Company of Chicago, as Trustee (the "Trustee"), International has elected to redeem all Debentures which remain outstanding on July 9, 1981 (the "Redemption Date"), at a redemption price of 106% of the principal amount thereof plus accrued interest from September 15, 1980 through July 9, 1981. Payment of the redemption price and accrued interest, which will aggregate \$1,129.65 for each \$1,000 principal amount of Debentures, will be made upon presentation and surrender of the Debentures, together with all interest coupons, at the option of the holder either (a) at the main office of Continental Bank International, One Liberty Plaza, 91 Liberty Street, New York, New York, telephone: (212) 349-6300, or (b) subject to any laws or regulations applicable thereto in the country of any such office, at the main offices of the additional Paying and Conversion Agents set forth below. Such payments shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Payment at the offices referred to in (b) above shall be made, at the direction of the holder, by check drawn on, or transfer to a United States dollar account maintained by the payee with, a bank in the Borough of Manhattan, the City of New York.

On the Redemption Date, the redemption price (plus accrued interest) will become due and payable upon each Debenture. The Debentures will no longer be outstanding after the Redemption Date. Other than the right to convert Debentures. tures, which expires on July 6, 1981, into Oak Common Stock and the right of holders of Debentures to receive the redemption price and interest accrued to such date, all rights with respect to the Debentures will cease on the Redemption Date.

The election of International to redeem all of the outstanding Debentures is being effected pursuant to the eleventh paragraph of the form of Debenture certificate. The condition precedent to the right of International to redeem the Debentures pursuant to such eleventh paragraph has occurred because the reported last sale price per share of Common Stock, par value \$1.00 per share, of Oak ("Oak Common Stock") on the New York Stock Exchange on each day on which there was such a reported last sale price within the 30 days immediately preceding the 20th day preceding the date upon which this Notice of Redemption was first published was at least 130% of the Conversion Price (as defined in the Indenture) in effect on each such day.

Debentureholders have, as alternatives to redemption, the right to sell their Debentures through usual brokerage facilities or, on or before the close of business on July 6, 1981, to convert such Debentures into Oak Common Stock. The right to convert the principal of the Debentures to be redeemed will terminate at the close of business on July 6, 1981.

The Debentures may be converted into Oak Common Stock at the conversion price of \$23.00 per share of Oak Common Stock (adjusted for the 2-for-1 stock split) which is approximately 43.48 shares for each \$1,000 principal amount of Debentures. In order to effect this conversion, a Debentureholder should complete and sign the CONVERSION NOTICE on the Debenture, or a substantially similar notice, and deliver the Debenture and signed notice (a) to the main office of Continental Bank International, One Liberty Plaza, 91 Liberty Street, New York, New York, telephone: (212) 349-6300, or (b) subject to any laws or regulations applicable thereto in the country of any such office, to the main offices of the additional Paying and Conversion Agents set forth below. Upon conversion of Debentures, no payment or adjustment will be made on account of any interest accrued thereon or on account of any dividends on the Oak Common Stock issued upon such conversion. Debentures delivered for conversion must be accompanied by all interest coupons.

Pursuant to a Standby Agreement, Smith Barney, Harris Upham & Co. Incorporated and Drexel Burnham Lambert Incorporated (the "Standby Group") have agreed with Oak and International, in exchange for Oak Common Stock, to advance funds in an amount equal to the redemption price plus accrued interest for any Debentures which are either (i) surrendered for redemption or (ii) not duly surrendered for redemption or conversion at the close of business on the Redemption Date. A Debentureholder who wishes to redeem or convert Debentures should not tender Debentures directly to the Standby Group but should follow the directions given above.

From January 2, 1981 through June 22, 1981, the reported sale prices of Oak Common Stock in New York Stock Exchange Composite transactions ranged from a high of \$38½ per share to a low of \$21½ per share, as adjusted for the 2-for-1 stock split. The last reported sale price of Oak Common Stock in New York Stock Exchange Composite transactions on June 22, 1981, was \$33 per share. At such last sale price per share, the holder of \$1,000 principal amount of Debentures would receive, upon conversion, 43 shares of Oak Common Stock and cash for the fractional interest having an aggregate value of \$1,434.84. However, such value is subject to change depending on changes in the market value of Oak Common Stock. So long as the market price of Oak Common Stock is \$26.00 or more per share, Debentureholders upon conversion will receive Oak Common Stock and cash in lieu of any fractional share having a greater market value than the cash which they would receive upon redemption.

ADDITIONAL PAYING AND CONVERSION AGENTS

Continental Bank S.A. Rue de la Loi 227 1040 Brussels, Belgium Telephone: (02)-735-80-20 Attention: Luc Schöller Vice President

Continental Illinois National Bank and Trust Company of Chicago London Branch Continental Bank House 162 Queen Victoria Street London, EC4V 4BS Telėphone: (01)-236-7444

Attention: James Silvester

Continental Illinois National Bank and Trust Company of Chicago Frankfurt/Main Branch Bockenheimer Landstrasse 24 6000 Frankfurt (Main) Telephone: (0611)-72-02-11 Attention: Jorg P. Schafer Vice President

Kredietbank S.A. Luxembourgeoise 43 Boulevard Royal Luxembourg. LUXEMBOURG Telephone: 4797-1 Attention: R. Smeets Fondé de Pouvoir

Continental Illinois National Bank and Trust Company of Chicago Paris Branch

10 Avenue Montaigne 7508 Paris Telephone: 225-64-30 Attention: Charles B. Truett Vice President

For OakIndustries International N.V. Frank A. Astrologes Managing Director

For Oak Industries Inc. Everitt A. Carter Chairman of the Board

This Notice of Redemption is not and under no circumstances is to be construed as an offer to sell or as a solicitation of an offer to buy any of the securities of Oak or International. For additional information regarding this Notice of Redemption contact any Paying and Conversion Agent or the undersigned.

Smith Barney, Harris Upham & Co. Incorporated London (01)-588-6040

Drexel Burnham Lambert Incorporated London (01)-628-3200

July 2, 1981

— as substitute representatives:

• Miss Veronique JOPPE, residing 19 bis, rue Perronet,

• Mr. Jean-Pierre CLEMENT, residing 160, rue d'Au-

The Board of Directors

92200 NEUILLY-sur-SEINE (France)

bervilliers, 75019 PARIS (France).

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	Almomoto Co Inc	164	11 Feb 80 Viri 24 Mar 95 552	586.20 ·	3.34- 1.87	125	4 % 1997 Apr		maturity 1 Oct 72 maturity		5.25- 1.51 1900	5 16	5 % 1988 Feb Int Stand Elect 15,33 51/4 % 1988 Dec	72 67 1/2	materity		2476 845
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	Asies Corporation 53/4 % 1993 Jan	134 174 78	Sep 75 Year	4/7 1541 -	2.26- i.16 4.23- 1.28	\$ 15	Ami Incore 19,14 5 % 1987 Sep Bangar Punia 27,58 5 1/4 % 1988 Jul	66 77 1/2	majority 15 Jan 69 majority		52:00 5:30 9:45 2.12	529	43/4% 1987 Oct Intercent Hotel 72.83 7 % 1984 Jun	27 172	maturity 29 Mar 72		21,79 B.47 130.41
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	6 3/4 % 1995 Dec DOI Nippon Printing 6 3/4 % 1986 Mgy	177 2-4 753	May 7 An	121.20 · 324	35 .73 319- 197	5 25	Beatrice Feeds 57 14 7 1/4 % 1990 Nav Beatrice Feeds 43.72 6 1/4 % 1991 Aug	117 96	majurity I Mar 77 majurity		5.72- 6.47 1.55 a. 47	525	117 Sheroton ISLS 4 1/2 % 1989 Jul Jonathan Logan 19.16 4 3/4 % 1983 Jun	72 1/2 75	15 Dec 45 maturity		26.54 8.45 272.86 1.71
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	6 1/7 % 1994 Aug Damia House Industry 7 1/4 % 1991 Mar	% 3/4 80	I Aug 76 100 15 Mar 97 409 4	6/9 541 - 4/5	21.42 3.70	125	Beginse Foods 43,% 47/8 % 1992 Aug Blocker Energy 45,71 8 1/4 % 1995 Jul	91 103	moturity		437- 647 419		5 % 1989 Feb Lear Petrol Lpc 42.66 8 % 1989 Jun	84 10e	maturity IS Jun 79 maturity		11.37 436 1.47 .68
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\$65,000,000

European Economic Community

14%% Bonds due April 20, 1993

MORGAN GUARANTY LTD

July 2, 1981

S. G. WARBURG & Co. LTD.

ALGEMENE BANK NEDERLAND N.V. BANK BRUSSEL LAMBERT N.V. GOLDMAN SACHS INTERNATIONAL CORP. KUWAIT INVESTMENT COMPANY (S.A.K.) BANK OF TOKYO INTERNATIONAL LIMITED BANQUE NATIONALE DE PARIS KLEINWORT, BENSON LIMITED Nomura International Limited

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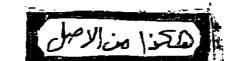
A. E. Ames & Co. Limited ARNHOLD AND S. BLEICHROEDER, INC. ALAHLI BANK OF KUWAIT K.S.C. BANCA DEL GOTTARDO BANK OF HELSINKI LTD. BANCA COMMERCIALE ITALIANA BANK LEU INTERNATIONAL LTD. BANK MEES & HOPE NV BANK JULIUS BAER INTERNATIONAL LIMITED BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT (B.A.I.I.) BANQUE DE L'INDOCHINE ET DE SUEZ BANQUE DE NEUFLIZE, SCHLI MBERGER, MALLET BANQUE INTERNATIONALE À LUXEMBOURG S.A. BARING BROTHERS & Co., LIMITED BAYERISCHE HYPOTHEKEN- UND WECHSEL-BANK AKTIENGESELLSCHAFT BEAR, STEARNS & CO. BERLINER BANK AKTIENGESELLSCHAFT BAYERISCHE LANDESBANK GIROZENTRALE B.S.I. UNDERWRITERS LIMITED BERLINER HANDELS- UND FRANKFURTER BANK CHRISTIANIA BANK OC KREDITKASSE CIBC LIMITED CHEMICAL BANK INTERNATIONAL LIMITED COUNTY BANK LIMITED CREDITANSTALT-BANKVEREIN CREDITO ITALIANO COPENHAGEN HANDELSBANK A/S DAIWA EUROPE LIMITED DEN DANSKE BANK DAI-ICHI KANGYO INTERNATIONAL LIMITED DG BANK DEUTSCHE GENOSSENSCHAFTSBANK EFFECTENBANK-WARBURG AKTIENGESELLSCHAFT EUROPEAN BANKING COMPANY LIMITED FUJI INTERNATIONAL FINANCE LIMITED GEFINA INTERNATIONAL LTD. GIROZENTRALE I ND BANK DER ÖSTERREICHISCHEN SPARKASSEN GENOSSENSCHAFTLICHE ZENTRALBANK AG GROUPEMENT DES BANQUIERS PRIVÉS GENEVOIS R. HENRIQI ES JR. BANK-AKTIESELSKAB HILL SAMUEL & CO. LIMITED KANSALLIS-OSAKE-PANKKI KIDDER, PEABODY INTERNATIONAL LIMITED KUHN LOEB LEHMAN BROTHERS INTERNATIONAL, INC. KUWAIT INTERNATIONAL INVESTMENT CO. S.A.K. LLOYDS BANK INTERNATIONAL LIMITED LTCB INTERNATIONAL LIMITED LAZARO BROTHERS & Co., LIMITED McLeod Young Weir International Limited MITSUBISHI BANK (EUROPE) S.A. Morgan Grenfell & Co. Limited MITSUI FINANCE EUROPE LIMITED SAMUEL MONTAGU & CO. LIMITED THE NIKKO SECURITIES CO., (EUROPE) LTD. NIPPON CREDIT INTERNATIONAL (HK) LTD. NIPPON EUROPEAN BANK S.A. NORDDEUTSCHE LANDESBANK GIROZENTRALE NORDIC BANK LIMITED ÖSTERREICHISCHE LÄNDERBANK PIERSON, HELDRING & PIERSON N.V. PRIVATBANKEN A/S J. HENRY SCHRODER WAGG & CO. LIMITED SANWA BANK (UNDERWRITERS) LIMITED Skandinaviska Enskilda Banken SMITH BARNEY, HARRIS UPHAM & CO. INCORPORATED Société des Banques S.G. Warburg et Leu S.A. Société Générale Société Générale de Banque S.A. Société Sequanaise de Banque SODITIC INTERNATIONAL, PANAMA Svenska Handelsbanken VEREINS- UND WESTBANK AKTIENGESELLSCHAFT J. VONTOBEL & CO. M. M. WARBURG-BRINCKMANN, WIRTZ & CO. WARBURG PARIBAS BECKER WARDLEY LIMITED WOOD GUNDY LIMITED YAMAICHI INTERNATIONAL (EUROPE) LIMITED A. G. Becker

All of these securities have been sold. This announcement appears as a matter of record only.

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POSITION	SALARY	EMPLOYER	LOCAT.	QUALIFICATIONS	CONTACT	Sour
CHIEF FINANCIAL OFFICER	Areund £25,098	let'i trading.	Latifus	Osal, accountant who has worked in develop countries; implicit knowl of impart & expert trades; around 48; pressures travel.	All Mallieste (ref. 451V), Thomson McLininck As., 78 Finshury Parament, London EC2A 1501.	18.T. 25-6-8
FINANCIAL SYSTEMS MANAGER	BM 75 to 98,600	German subsidiary of Fortune 188 CL		Said bigs. Seacial systems; bands-on exp. U.S./Gorman acety, principles; versed in A.E. repairments.	Charles Waldon, P.W.S., Existratr. 22, P.B. thux 1160, B-6568 Mainz, Tal.: 49 6131 20776.	Lä.T. 25-6-61
FINANCIAL COMPTROLLER	Excellent	Paris trailing co.	Paris	Recognised business or accing yeal. \$/or dog; solid cop, gained in similar position; Eng., Fr.	Ref. 5488. P. Lichan S.A., S.P. 220. 75063 Paris Codex 62.	LB.T. 25-6-81
GROUP CONTROLLER		Forte 588 Malti-national corp. (Ind. & Consomer products).	New England U.S.A.	Referent exp. with multi-cut, rotal cons. products one; bigd, is althor a manyl, or mity, seriess.	Buf. 2215, Confidential Rophy Service, Austin Maight Ltd., London WTA 185.	Financia Times 25-6-81
PETROLEUM INDUSTRY PROFESSIONALS		OR & Gas exploration & production in the U.S.A.	Various in U.S.A.	Reitmant degrae 2 min. 4 yrs. agumpfiste esp.; E.S. citizenskip graf.	John Schliffer, Soline Petroleum Cn., # 94523, 188 Pine St., San Francisco, CA 941)1.	IET. 27-8-81
REGIONAL MANAGER Arabic Speaking	Generales tax free	Teleçammalçatiqus	Santi Arabia	Prof. hos. dog.; several yes' magt. exp. ideally in telecom, in develop, country; mktg, blygd.	G.E. Yazigi, rof. C.B. 1145-1, MSI Middle East, 52 Seasonner Cardons, Landon Sift W ORW, Tol.: 01-738 0255.	LUII. 27-6-81
GENERAL MANAGER		Boles, but'l trading org.	Herr Jursey, B.S.J.	Eq. in trading or distrib. Inc. of planea. raw materials in Eur. or U.S.A., strong landership addition.	Karle-Hein, Herikanaistr. 28: 2000 Hamburg 1, Tel.: 040/2083-1.	19.7. 27-8-81
TECHNICAL SALESMAN	Generous	Long established and introduction cs.	Garmany	Mil. Gar/Fog, or Gar/Fr.; strang tack. sales ideal.	Bux B 1783, International Burald Tribune, 9252f Hoully Codes, France.	LUIT. 27-5-81
EXPORT SALES MANAGER Osteuropa		Billow Expert 8.Y. Mederlands	Schindan Rindarianda	35, Expertischmann/krav, Erlahung ist'i Handris- Verkohr (Ostompa). Engl., Franz. + Osl./Aumannisch.	Norm Swn Secsimans, Berlische Univer Gubit, Comminerali 15, 2008 Hamburg 36, W. Bonschland.	Frankfurte All. Zuit 27-6-81
MANAGING DIRECTOR	Exceptional	Hajer U.S. Heel		Sowal yes' magt. blood, manistary; thereugh understanding of key functions with manut, control.	Bez & 1788, International Second Tribune, 92521 Houldy Codes, France.	18.T. 38-6-81
TECHNICAL SALESMAN	Excellest	Bow Chemical. (Agricultural Chemicals Boot.).	tages, Hairshi er Fr.W.Mika		Employee Relations Bept. Bow Chemical, P.O. Bex 196, 1211 George 20, Yol. (B22) 98 8551.	LET. 38-8-81
INTERNATIONAL BANKER		One of largest int'l Burchant lank (Project Financing Bept.).	Paris	38-34; ABAL dag, or omph.; appens. 5 yrs. um, in major kank, prof. project dags; augmoning dag.; Eug. + Fr.	Bei. 72020 H.T., Ravas Contact, 156 Md. Housemann, 75000 Paris.	1917. 30-6-81
AREA MANAGER N.Afr./ Mid.East		Kiwi	Resea France	25-35; equ. le product magt. & le solling ef consumer gends; Eug. + Fr.	1-W.A. Tamintan, Bird Franco S.A., R.P. 70, 76302 Satterille les Room, Codez.	18.7. 38-8-81
SENIOR CORPORATE TREASURER	Commensurate with very high expectations.	let'l Corp.		35-45; unto day, in economics or lace, admin.; a mix of exp. si banking & ind.; bressour position or oppiv, for last 3 yes; Eng. +.		Financia Times 30-6-81
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tion as the opening move of a larger strategy. The government of Valéry Giscard d'Estaing had been preparing a joint international ECU operation with West Germanus Current of the Company ny — a plan dropped by the French after Mr. Giscard d'Estaty Trust. Bruxelles Lambert and ing's defeat. The West Germans went ahead with their loan, and the new French government is pre-sumably still studying the idea. Borrowing in ECUs would limit

with banks.

agers of the operation are the Caisse des Depots, Banque Na-tionale de Paris, Banque Bruxelles Lambert, Chase Manhattan, Chemical Bank, Lloyds Bank, Mit-subishi Bank and Morgan Guaran-Mitsubishi will not act as dealers. Credit Lyonnais officials say they expect a 50-percent selldown in the syndication currently underway. Lucrative Operation

New Loan Outlined for French

but who want to diversify away

from holding these exclusively

Joining Credit Lyonnais as man-

Morgan Guaranty's participa-tion in the deal is indicative of how ucrative the overall operation is. Morgan has not participated in previous French deals starting at a quarter-point over Libor. In addition, the participation of three top New York banks would seem to indicate that they do not share the U.S. State Department's concern about the entry of the Communists

into the new Cabinet.

The only other major deal curguilders, 3.66 Belgian francs, 0.14 Luxembourg francs, 0.217 Danish krone and 0.00759 Irish pounds. One ECU is worth \$1.10611. rently under way is for the Canadian Development Corp. It is seek-ing \$1.75 billion to finance the Aquitaine of Canada shares being sold by Elf Aquitaine. The proceeds of that sale are being used by basket appeals to investors looking Elf in its \$2.5-billion takeover bid

of Texasgulf.
The interest on CDC's 10-year loan will be set at a half-point over Libor for the first five years and % point over Libor thereafter.

Regie de Telegraphes et Tele phones. Belgium's state-owned telephone company, has awarded a mandate for a \$100-million loan to

the Bank of Tokyo. Interest on the seven-vear loan is set at a split 1/2-4 point over Libor.

The state-owned Portuguese petrochemical company, Cia. Na-cional de Petroquima is in the market with a \$100-million, eight-year credit, guaranteed by the republic, offering interest of a half-point

Cia. Financiamenti e Refinanciamenti (Coliri) of Italy is raising \$150 million over seven years through a syndicate led by Arab Banking Corp. Interest is set at 4 point over Libor for four years and % point for the remainder.

The Mexican state electricity company, Comision Federal de Electricidad, is negotiating a syndicated Eurocredit of \$400 million for seven years. A half-point mar-gin over Libor is expected.

Angola has arranged a \$50-million, seven-year loan at 14 points over Libor, the first-ever limited recourse financing in black Africa. The money is being lent to the Angolan state oil company, Sonangol, and the Cabinda subsidiary of Gulf Oil to pump natural gas back into oil wells instead of flaring it. The revenue produced from this project will be used to repay the loan. The Angolan central bank. under limited circumstances guarantees the loan.

Surging Rates Dampen Market

(Continued from Page 11)

(Continued from Page 11)

wants to develop a market for

Many observers see the opera-

the foreign exchange risk inherent

in any European government's in-

ternational borrowing — especially because most of such operations

The European currencies, except

The ECU consists of 0.828

for sterling are linked to each other and, barring official devalua-

Deutsche marks, 0.0885 sterling, 1.15 French francs, 109 lire, 0.286

Managers maintain that the absence of the dollar from the ECU

for currency diversification but

who at the same time want to minimize the risk of devaluation. In addition, Credit National's ECU

notes represent a new medium for investors who want to hold ECUs

are in dollars.

tion, move in unison.

bles. And Japanese issuers dominate the scene. There are several reasons to explain this: Stock prices in Japan are currently trading at historic highs, making it attractive for companies to sell their stock at a premium of 5-to-6 percent over prevailing levels, and the value of the dollar is perceived as being unnaturally high against the yen, making it attractive to borrow in dollars and convert the proceeds into yen.

In addition, a scheduled change in Japanese commercial law is driving companies who plan to raise new equity to do it before the change in October, 1982. At present, shares having a nominal par value of, say, 50 yea but sold for 1,500 yen are taken on a company's books at 50 yen. Next year, at least 50 percent of this capital surplus (1.450 yen in this example) will have to be included in a company's denominated capital. For domestic investors, Japa-

nese bankers report, a key ratio is the dividend a company pays relative to its capital. Thus, companies wishing to keep in favor will have to sharply increase their dividend once they start reporting sharp increases in capital. The convertibles currently on

offer include:

 Murata Manufacturing, \$30 million of 15-year bonds bearing a semiannual coupon of 51/2-51/4 percent. The bonds are expected to convertible into the electronic and electrical components maker's Tokyo-listed shares at a price fixed at percent over the currently prevailing level.

 Hazama Gumi, \$30 million of 15-year bonds bearing a semiannual coupon of 6 percent. These will be convertible into the construction company's shares at a premium of around 5 percent.

 Toya Menka Kaisha, a general trading company, is offering \$30 million of 15-year bonds bearing a semiannual coupon of 6½ percent. A conversion premium of 5 percent is expected. Dai Nippon Ink & Chemicals this week will launch a \$40-mil-

lion, 15-year convertible. The coupon is expected to be around 6

In addition, Daiwa Securities has announced plans to issue \$50 million of convertible Eurobonds late this summer at the same time as it issues the equivalent of \$20 million new shares on the domestic market. Finally, Seiyu Stores says it in-

tends to issue £15 million of covertible bonds.

From the United States, North-west International Finance is raising \$50 million by offering investors a dual option — a 15-year convertible bond carrying a semiannual coupon of 9 percent or a 15-year straight bond bearing an annual coupon of 164-161/2 per-

Parent company Northwest Energy is a holding company with subsidiaries engaged in natural gas transmission and other energy related activities. Bondholders will have the right, twice a year for the first five years, to opt for the fixedrate bond. In return for this protection against an unattractive stock market performance, a very high 17-to-20 percent conversion premium is envisaged on the convertible bond.

The proposed \$30-million convertible for Tiger International was withdrawn last week. The price of the stock declined in New York, and as investors shied away from the issue the borrower decided to withdraw rather than sweeten the terms.

Floating Rates

The other active sector of the market is in floating rate notes, not surprising given the continued vo-latility of short-term rates.

Midland Bank this week will launch \$75 million of 13-year notes retractable, at the option of myestors, to eight years. A spokesman for lead manager Samuel Montagu says the issue will carry a "novel feature" to encourage investors to waive this option early on. The coupon is expected to be set at a quarter-point over the middle of the bid-offered interbank rate and a minimum coupon of 51/4 percent will be guaranteed. The issue will be managed and underwritten by a er of banks. will be no selling group.

Meanwhile, National Westminster Bank was able to increase its 10-year issue of floating-rate notes to \$175 million from the original \$125 million. Its coupon will be fixed at a quarter-point over the mean of the bid-offered rates and s guaranteed to not be set below

5¼ percent.
Société Genéralé of France is offering \$75 million of 10-year notes with the coupon to be set at an eighth of a point over the offered rate and guaranteed never to be set below 5½ percent. Investors can redeem the notes after the fourth year at a price of 99, after the seventh year at a price of 99.40 or at par at the end of the final year. For underwriting banks earning the 14 percent commission and keeping these notes for them-selves, the purchase price of 98% and a redemption price of 99 after four years works out to a return of 37 basis points over Libor, Société

Généralé says.

The Long Term Credit Bank of Japan is raising \$30 million through an eight-year floater bearing interest of a quarter-point over the mean of the bid-offered rates for six-month Eurodollar deposits. **Mexican Offering**

From Mexico, Petroleos Mexicanos (Pernex), is raising \$75 million in seven-year floaters with interest set at a quarter point over

the offered rate and guaranteed not to fall below 514 percent. Tubos de Acero de Mexico is in the market for \$80 million in eightyear notes with interest set at % point over Libor and guaranteeing a minimum coupon of 94 percent.

Finally, the Mexican industrial and financing firm. Vitro SA, is raising \$75 million through a seven-year note extendable at the option of holders to 10-year notes. Interest will be set at % point over Libor, and a minimum coupon of 8 percent is guaranteed.

Only two small, short-dated straight dollar issues were offered last week. Toronto Dominion Bank sold \$50 million of threeyear notes priced at par and bearing a coupon of 15 percent. The notes were trading on a when-is-sued basis at 981/2. The Australian Industrial Development Corp. sold \$20 million of three-year notes bearing a coupon of 14% percent at 99% for a yield of 15.10 percent.

Meanwhile, \$40-million of fiveyear notes for Trizec Corp., a Canadian property developer, were priced at 99 bearing a coupon of 16 percent to yield 16.31 per-

In the sterling market, Inco of Canada sold £25 million of 25-year bonds at 981/2 bearing a comoon of 15% percent to yield nearly 16 percent. This was the first corporate offering in sterling in about 10 years, lead manager Morgan Grenfell said. Investors have the option to request repayment of principal. at the end of the 25th year, in dollars. The sterling-dollar exchange rate fixed for the life of the bond is

The Mortgage Bank and Finan-cial Administration Agency of Denmark sold 100 million guilders of 10-year bonds bearing a coupon of 12 percent at 991/4 to yield 12.15

Pierson, Heldring & Pierson is now offering 60 million guilders of eight-year paper bearing a coupon of 11% percent.

Elsam, the Jutland-Funen Electricity Consortium in Denmark, is issuing 20 million Units of Account of seven-year bonds bearing a coupon of 11½ percent.

Eurobond Yields* Week Ended July 1, 1981 International

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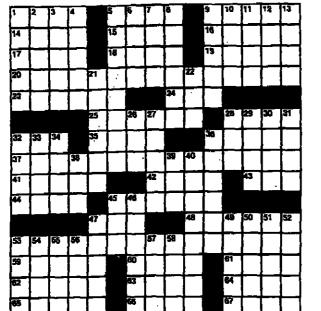
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Southern: Asia: 1472/Kitz and 212M Medium Wove, 25.450, 21.550, 17.770, 15.310, 11.750, 7.400, 7.100 and

Rest and South Bast Asia: 25658. 17,740, 15,710, 11,865, 9,576, 6,195 and 2,915 KHz in the 11, 14, 19, 25, 31, 46 and 76 meter bands, Also for Singapore pair: 86,700 KHz VHF.

VOICE OF AMERICA The Velce of America broadcasts world news in English on the hour and at 26 minutes after the hour during varying partods to different regions.

Westere Bernee: (CHz 15,345, 7,325, 4,840, 5.955, 1,940, 1,197, 792, 11,760, 9,760, 1,294 in the 19,7, 41,7, 49,5, \$0,4,75,7,251 (medium wave), 379 (medium wave), 25,5,30,7 and 202 (medium wave) meler bands,

East Auto and Pacific: KHz 17.520. 17,740. 15,210. 11,760. 9,770, 26,000, 6,110 and 1,575 on the 14, 16,9, 19.6 25.5, 30.7, 11.5, 49.2, 190 mater bands.

Africa: KHz 24,840, 27,660, 17,870, 15,330, 11,915, 9,740 7,289, 6,125, 5,995, 3,990 on the 11,5, 13,8, 16,8, 19,6, 25,2, 36,8, 41,2, 49,50, 75,2 meter bonds.

Oil and Money

Conference.

London, Sept. 28-29.

The second annual International Herald

For further information, please contact

181 Avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France.

the International Herald Tribune, Conference Dept.

felephone: 747-12-65. Telex: 612832.

and Money in the Eighties," will take place September 28 and 29 in London.

Tribune/Oil Daily conference on "Oil

Middle East: KHz 15265, 11,715,9,760,7,200,6,040,1,240 in the 197,252,307,417,497,236 meter bands

South Asia: KHz 21,540, 17,740, 15,205, 11,913, 9,760, 7,105 on the 13.9, 14.9, 19.7, 25.2, 30.7 cmd 42.2 met bands.

RADIO NEWSCASTS

4.195 KHz in the 11, 13, 14, 19, 23, 31, 41 and 48 meter by

27 Moves in a certain

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HONEY, LET ME

GOOD NEWS, MEN.

THEY'VE FOUND THAT SHINY

BOOTS MAKE

IT EASIER FOR

THE ENEMY TO

SPOT YOU

HAVE YOUR

- 28 Mischievous
- Randolph play: 1922 Piece of realty
- 32 "Roberta" lyricist Harbach
- 33 "...a little lower —— the angels" 34 Native of Ger.
- 36 Popular song since 1917
- 38 Italian's diminutive suffix
- 39 Prosecuting 40 Krypton and
- 45 ---- in the sky 46 Goddess of wisdom 47 Defeats
- 49 Originate 50 More judicious 51 Chopin
- specialty 52 Unkempt 53 Scanty 54 Whetstone 55 Memorable
- first name in the Constitution State 56 Brew

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I FOUND THAT AN APPLE

ORCHARD GOES INTO A

A DAY FROM FARMER BROWN'S

TEACHER 180 TIMES A YEAR.





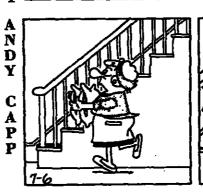
SO, NO MORE HIGHLY

POLISHED BOOTS































JUMBLE THAT SCRAMBLED WORD GAME by Henri Arrold and Bob Lee Unscramble these four Jumbles one letter to each square, to form Quick! To the airport! LOVEH YURST

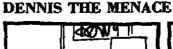
CHALUN YORCUT



form the surprise answer, as sug-gested by the above cartoon.

Jumbles: SKIMP HASTY CANYON GRIMLY Answer: What kind of a time did the buil have in the china shop?-SMASHING!

"Registered as a newspaper at the Past Office" "Printed in Great Britain"





UID YOU HEAR THAT, HONEY? HE MADE TWO DOLLARS BY SELLING ... "

THE GLITTER DOME

By Joseph Wambaugh. 299 pp. \$12.95. Perigord Press-Morrow, 6 Henderson Drive, West Caldwell, N.J. 07006.

Reviewed by John Leonard

THE Glitter Dome in Joseph Warn-L baugh's new novel is a bar in Chinatown where the cops go to drinkthemselves insensible and pick up a groupie. It also seems to stand for the Hollywood Wambaugh despises. The conversation is no worse in the Chinatown bar than it will be later on at a fancy party up in the hills, where a readily recognizable female novelist will exclaim about the California

"It's the light! It's the light!" a voice interrupted, and a woman bopped into their midst, and up on hopped into their midst, and up on the hearth. She was finy and needed the height. She had the huge mouth and sapphire eyes of a flesh-eating bird. 'It's the light! It's not like New York. The light here is fuchsia and filtered through the pastel gauze of anonymity. There's nothing like it anywhere. The French Impressionists would have perished in delight!"

Mad Skaters

But before we get to that party, we will have been in many more interesting places. We will have been, for instances, in a parking lot behind a bowling alley, which becomes at night a roller rink. The mad skaters, most of them equipped with radios and car phones, seem to have dropped out of some cinematic self-indulgence by Cocteau; they are aquatic creatures, mutations of the deep.

We will have gone to the beach where old people trying to sell gold will find themselves with their mouths taped shut and their throats about to be slit. We will sit in on the bust of an exhibitionist who leaves photographs of himself on the windshields of cars at a supermarket. We will stand by as Capt. Woofer goes bananas in the stationhouse, shouting at his elderly sec-retary, "Do you deny letting the cater-pillars conquer the kingdom?" We will even go to church. And we will end up in a man's mind, a mind consumed by a horror story every bit as macabre as the severed head in Wain-baugh's "The Choir Boys."

"The Choir Boys," a lousy movie, was a wonderful novel, and almost impossible to review in a family newspaper. The language of cops who have: seen too much of the corruption of the world, and have done some corrupting themselves, is necessarily scatological. Their humor is likewise ferocious, as if only in excess can they save their sanity. Wambaugh's next book, "The Black Marble," was less impressive. In The Glitter Dome," he returns to form. It is a form, I suggest, that wouldn't get him laughed out of the room if Celine and Joseph Heller had also been invited to dinner and Dos-

Solution to Friday's Puzzle

just dessert.

A Wambaugh cop drinks of and off; he is invariably divorci ten twice; he is afraid of ever especially himself; his energy 12 cynicism are perhaps the same his horror story is real and so bad dream - of eating his ov His only connection with the community seems to be his n God certainly has stopped his There are four pairs of parties. "The Glitter Dome." all invol an investigation of the murde Hollywood tycoon. These are s maybe monstrous, marriages. V. have to rethink marriage.

toevski promised to show up

The intimacy of the partner itself scary. Al Mackey and Welborn know each other's Mackey can make a reading state of Welborn's soul by loof his knehen. Welborn, an ex-ser an, is dying of the banality. Maybe the devil isn't listening. He tells an old woman, "Life be unbearable if we didn't ha devil, now wouldn't it?" The ol an, typically, replies: You'd lutely right, Sgt. Welborn, Lake be hell without the devil."

Understand, we're in the a murder investigation. Whit who obviously has some some the with Hollywood after we pened to The Choir Boys. duces us to everything from port to small flicks in one-in the novel, the coke-morting are licking the Gucci boots of film directors with a terminal the existential blahs; in anothe or on the front porch, child bleeding to death. And yet, where in the cellar is a crude or

The chirch — particular Roman Catholic Church — sh surprisingly often in Wam books. There is something ant the smart cracks - "He look an esganog"; he had a room-to-ture IQ." and that is a d meaninglessness. Martin Vi-thinks: "All the Catholic Chin had was rimal and mystery an And that was Everything The Order."

Welborn will also conclude, templating a pair of casual me They hadn't the dignity is Wouldn't that be the last laugh failed seminarians? There's r No good. No choices. Onl dents." This is the message of t el, perhaps too neatly wrapped mailed to the missing God. work is a snuff flick. Nothing terrifying than chance, and an accidental universe reco

I mentioned Dostoevski, a probably snickered. Please don thinking of the comic Dostoe ter of Wambaugh than there is entire collected works of Geoggerso Higgins — as well as the Dos who feared himself so much states had to invent a terrible punis strain the laugh that strangles.

Cones w

-₹Amen

one of the

John Leonard is on the staff an the New York Times.

CHESS_

THE positional enchange sacrifice is not a new idea. Segbert Tarrasch, the great German theoretician, pointed out 60 years ago that a strong outpost knight could easily outweight a rook. And long before that, Paul Morphy, the American gentus, used it in several 1857 games.

This strategem always involves some risk, for if the opponent cam wriggle out of the bind and manage to simplify, there are many positions where a rook can defeat a minor piece plus several pawns. But if you never try it, you are bound to miss some exciting opportunities.
Gari Kasparov, the 17-year-old So-

viet phenomenon, showed how it is done in his encounter with Alexander. Belyavsky, the Russian co-champion, in the all-grandmaster Moscow International Tournament,
Oscar Panno's idea, 6 ... N-B3,

and 7 ... P-QR3, forces White to look out for a wing thrust with P. QN4; as well as a vigorous counter in the center with P. K4. It was the latter that Kasparov chose with 9 . . . P-K4; 10 P-Q5, N-Q5, after which 11 BxN?!, PxB; 12 QxP?, NxKP! would have cost White mater-Belyavsky's 13 N-Q5, presented

Kasparov with a problem because the routine 13. NxN; 14 BPxN, N-K2; 15 N-B3 sows the seeds for a powerful White initiative on the open QB file. The young grandmaster's re-sponse was a sharp lashing out with 13 P-QN4!? that committed him to the exchange sacrifice with 14 B-N6, Q-Q2; 15 N-B7, R-N1; 16 NxR,

The time-consuming 17 B-B7, R-N2; 18 BxP, PxP; 19 B-B5, B-K3, to deny Black a pawn for the exchange, did not inspire Believely's confi-dence, since White's development

Kasparov obtained a fine knight outpost with 19 N-05, a sacrifice that could not be accepted befice that could not be accepted be cause 20 BxN?, PxB; 21 QxP?, N-Q4i; 22 Q-Q2, RxPi; 23 Q-B1, RxNch, 24 K-B1, R-B7! would have crushed White. After 20 Q-Q, P-Q4; 23 PxP. NxP; 22 NxN; BxN, Kaspanov's pieces were all effective while the White rooks had trouble getting play.

An attempt to unhange the Black center by 23 P-B4? would have been punished by 23 NxBci; 24 QxN, PxP. 225 RxP, RxP.

Belyavsky did not want to remain

Belyavsky did not want to remain in a passive, constructed position, but his framic opening up of the game with 27 B-Ra, B-R1, 28 P-B4, R-R5.



Kasparov could samply have haten piece with 36 ... NxB. bilderval 36 ... Q-B7! was even striking fin However, after 37 R-QI, he was ag have won with 37. the large of ers were in extreme time troubled

Nonetheless, after 3 Nonethele K6; 43 Q-B3, NxB; 44 Rx Police K8/Qch After 39 ... P-R6!, to

PxP?, B-O4chi; 41 R.B. Qx. boy was possible.

After Kasparov reached the at o control with 40 N-MS! Be no sky stancely had a move Thus, and o OBI B-Q4 42 OxO, PxQ: 43-10; B-KS permus no warding of 1 to coming 44 N-K6. PARch and 46 BxBmaic in only R-Q4 is finished by 44 P 45 BxP, P-B8/Qmate. There was mg for Belyavsky to do but give 6 6

codangered his OB and yielded Kaspanov a passed KP. To provide a return for his wandering hishop, he gave up a pawn with 30 P-BS, No. SOLD MY WHAT ?"

announced.

earlier McEnroe matches in the

tournament, overruled the lines-

man. "The ball was out," Jenkins

Thinking the shot was good, McEnroe paused in the backcourt.

Speciators waited, anxiously antic-

ipating a possible tantrum or con-frontation. McEnroe balanced the

white ball on the strings of his

таскеt, still seemingly uncertain

said later. "Those things happen."

McEnroe began thinking about what people had said — that a few

calls don't change a match. But now, instead of 30-all, he faced 15-

40. double-set point. A voice from the stands cried out, "Play on, John." McEnroe looked in the di-

rection of the caller, but said noth-

tacked behind his first serve and

won the point with an overhead.

Thirty-forty. A service winner to the forehand. Deuce. McEnroe

survived two more set points and

"Maybe it was good for him that he controlled himself," Borg said.

Better at Tiebreakers

Borg led in the third-set tie-breaker only once, 3-2. But McEn-

roe serve-and-volleyed his next two

serves, won both points on back-

hand volley placements for 4-3 and

then swept Borg's two serves with

a looping forehand crosscourt pass

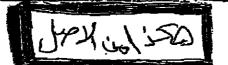
and a backhand pass that he glided

finally held on the sixth deuce.

Finally, McEnroe served, at-

"The ball was clearly out," Borg

what he wanted to do.



IcEnroe Dethrones Borg in Wimbledon Final

5-Year Reign as Champion Comes to an End as Swede Is Humbled in 4 Sets

By Neil Amdur

ABLEDON, England -McEnroe capped a tumnitu-vo weeks at Wimbledon by Bjorn Borg's 41-match iment winning streak with a et victory in the men's sin-

ile the tournament committhe All England Club recom-ad a \$10,000 fine for his storani-final match with Rod ry that could lead to a 21uspension, the 22-year-old roe showed that he could I his serve and temper when nted, even when close calls gainst him in stressful situa-

merican Sweep Averted

his deep, sharply-angled aw serve, were an indication o players remain. Of their en settled in tie-breakers. s is a triumph of McEnroe

scores in the 3-hour, 22match were 4-6, 7-6, 7-6, 6-two tie-breakers, which oe dominated, 7-1, and 7-4, closely matched the sport's ht matches, 12 of the 27 sets

Borg," the second-seeded

and Betty Stove of the Nether-lands saved the tournament from the first American sweep since 1939 by beating Jeff and Tracy Austin, 4-6, 7-6, 6-3, in the mixed

On Friday, Chris Evert Lloyd won the women's singles final and McEnroe and Peter Fleming the men's doubles. On Saturday Pam Shriver and Martina Navratilova took the women's doubles, 6-3, 7-6, from Kathy Jordan and Anne

then, recalling Borg's traditional prayerful ritual on the turf after five previous singles victories, decided to stay on his feet.

Court seats being scalped for as

sleeping bags, the interest was un-surpassed.

Tradition Fading

Even before the first ball was struck, spectators shouted the names of the players and chanted "Hooray" and "Boo" as if they were in a soccer stadium. But then these two weeks, with the record crowds, large fines against the players and enraged fans throwing cushions on the Center Court to protest a doubles match curtailed by darkness, have brought Wimbledon further than ever from its traditional roots.

McEnroe had sensed the occa-

McEnroe had watched portions

against Jimmy Connors in Thursday's semi-final. It was clay court tennis on grass, McEnroe rea-soned, and he would not play like

Soned, and he would not play the Connors. "I'm going to hit the ball softer, dink, chip, come in."

On Friday, McEnroe tried to get the "feel" of his serve during the men's doubles final, which he and his partner, Peter Fleming, took in straight sets from Bob Lutz and Smith. Before Saturday's match, McEnroe practiced shadow-serving and went over some notes he had written about his serve and stored in his racket cover: keep the head up, throw the toss more to the left, try to stay

Borg Strikes First

Blitzed by Connors in the opening two sets, Borg struck first in the final, breaking McEnroe from deuce in the fifth game and then holding for the set from 15-40 and four break points.
"He controlled the first set and

a half," McEnroe said later. If McEnroe had not served well, Borg probably would have received the congratulatory hardware from the Duke and Duchess of Kent and the \$43,000 first prize. Even with 10 double faults, McEnroe's first serve emerged as the dominate weapon of the match, saving 13 of 15 break points and controlling the tempo, flow and di-

volves around his first serve, par-ticularly against a rival like Borg, whose penetrating ground strokes

can pick apart most serve-and-volley stylists. "When you hit the first serve,

Nowhere was the difference In Package Deal more noticeable than in the second-set tie-breaker. McEnroe, who managed nine of 10 first serves in the two tie-breakers, got in all four first serves and won all of these points. Borg, who says, "You can't play scared on your serve in a tiebreaker," faulted three of his four

me to win the third set. When I had four set points, on the important points, when he had to win them, he hit his first serve in."

United Press Interna

breaststroke.

giving him an average speed of 118.2 miles an hour (189.1 kilome-

fourth, 42.3 seconds behind. Also in the world championship points were Didier Pironi of France in a Ferrari, who was fifth,

lap behind. Rain Beneficial

nault drivers. When the skies opened, both

lian in fifth place. The one-hour interruption gave the Renault mechanics plenty of

There was a lot of controversy

tens of Belgium won Sunday's 10th stage of the Tour de France bicycle race, a 194-kilometer (121-mile) mark of 60 laps. This makes a lottery out of the

whole thing," snapped Watson, who was in third place before the break and closing fast on Prost.

Piquet Moves Up

Under Formula-1 regulations, a race stopped before the three-quarter mark is restarted, weather permitting, in the same order as at the interruption. If only two more laps had been raced before the rain, therefore, Piquet would have been

The Brazilian all the same picked up four points for his third place finish and moved into second position in the world drivers championship standings with 26

points. Carlos Reutemann of Argentina. who finished out of the points in 10th spot, remained atop the standings with 37 points while his Williams teammate, world champion Alan Jones of Australia, only 17th at Diion because of engine problems, dropped from second to

third place in the standings. Happy With 2d

Prost agreed that nature gave seven seconds back, while Arnoux Grand Prix. "The interruption was 39.1 seconds behind the Brazigave my mechanics time to change a damaged fourth gear," he con-ceded. "But it is still a big day for me and I do believe I had the fast-

> pionship that a race was restarted after such a long distance had been covered - 58 out of 80 laps - and the two heats added together to

give an aggregate time. Watson said he was happy enough with his second place. "I got by Prost in the second heat but then went wide and fell back behind him." he said. "After that I was able to hang on but never

to interrupt the race just two laps let's hope I can win the British before the three-quarter distance Grand Prix at Silverstone in another two weeks

> Piquet said he thought when the race was interrupted that he was the winner. "The rules used to say a race was over if two-thirds of the distance had been covered and I was totally confused," the Brazili-

> Jones said his trouble was caused in a collision with the Alfa-Romeo of Mario Andretti early in the race. "It bent a steering arm but I also had tire trouble," he

FRENCH GRAND PRIX
1. Aloin Prost. France. Renouti, 1:135:48.12.
2. John Wotson. Britoin, McLorae. 1:235:348.
1. Melson Plouet, Broutl. Brobbon. 1:36:17.25.
4. Rene Arnova. France, Renout. 1:36:30.43. . Oldler Pironi, France, Ferrori, 1 ico behind Collet Phoni, France, Ferrori, 1 (ab behi
 Ello de Ancells, Harty, Lohus, 1 (ap.
 Nigel Manaell, Britain, Lotus, 1 (ap.
 Maria Andretti, U.S., Alfa Romea, 1 (ap.
 Hector, Reboule, Mexico, Brathom, 2 (ap.
 Corios Reutemann, Argentino, William

FORMULA ONE STANDINGS 1. Reutemann, 37 points. 2. Piquet, 26. 3. Alon Jones. Australio, 24. 4. Gilles Villemeuve, Camodo, 21. 5. Jacques Loffite, France, 17. 6. Prost. 13.

Players Reject Latest Offer by Baseball Owners

New York Times Service NEW YORK — Whatever slight optimism might have existed for a quick settlement in the baseball strike, it came crashing down Saturday. The owners revised their proposal on professional compensation for free agents, but the players rejected it, saying the owners still had not addressed the concerns of the players.

No further meetings were scheduled in the negotiations that have been held spordically since the strike began June 12. Kenneth E.

and-on over five hours. "There's compensation. Until there's a resolution of that issue, in my opinion, the strike will continue.

Asked to characterize the modifications the owners' bargaining team offered Saturday, the mediator said, "They made some moves but it was in the area of direct compensation and that was something the players didn't want to address themselves to. They're

The owners want a team losing a premium free agent to receive professional compensation from the team signing that free agent. The players, however, consider that plan inhibiting and punitive, and have proposed a pool of players, from which compensation could be

Beat French in Rugby

tralia Sunday won a rugby union test match against touring France, 17-15. The second and final test will be played in Sydney Saturday. The Wallabies scored with three tries, a conversion and a penalty, The French, playing without in-jured tour captain Jean-Pierre Rives, tallied a converted try, a

CFL Standings

New Yorker said when asked much as \$1,000 and a capacity whether he had conquered his temperament with Saturday's performance. "Any time I can beat him it's had queued outside the grounds in New York Times Service fine with me."
Frew McMillan of South Africa

doubles final.

Smith, and Matt Anger and Zina Garrison won the junior titles. McEnroe was a jubilant, re-lieved winner when his final forehand volley landed deep in a corner on his second match point. He started to drop to his knees and

The final lacked the spontaneity and drama of last year's five-set classic, which Borg won, 8-6, in the fifth set. But with \$22 Center

sion, even as he struggled with almost daily diversions ranging from the status of his first serve and his girlfriend, to fines, confrontations with British newsmen and erroneous reports that he had been stopped for speeding. "It's got to happen sooner or later," he said Friday, when asked whether the top-seeded Borg could ever be heaten here.

of Borg's long five-set comeback

mension of rallies. So much of McEnroe's game reyou gain confidence, especially Borg said. Reliable First Serve

The extent to which McEnroe's first serve dominated play was reflected in match statistics: McEnroe won 82 of 104 points on his first serve, a staggering 79 percent, while winning only 32 of the 63 points played on his second serve. His first-serve percentage for the match was 62 percent, respectable, while Borg was under 50 percent until the fifth game of the third set and finished at only 55 percent despite 10 aces.

serves and went out quietly.

"Today's match was very close," Borg said. "It was important for

The key game of the match unquestionably was when McEnroe was serving at 4-5, 15-30 in the dered a 4-1 lead. Attacking behind his serve, McEnroe punched a forehand volley that the base linesman signaled good. Bob Jenkins, the umpire, who had officiated two

Geweniger Scores Again

BERLIN — Ute Geweniger, a. 17-year-old East German swimmer, set her second world record in three days Saturday when she clocked 2 minutes 11.73 seconds for the 200-meter medley at a meet in East Berlin, the East German news service reported. She bettered the mark of 2:13.09 set by compatriot Petra Schneider last year. On Thursday, Geweniger set

record in the 100-meter

By Norman Hildes-Heim

New York Times Service
HENLEY-ON-THAMES, England — This year's 1981 Henley
Royal Regatta will be remembered

for a number of historic firsts, and

a partial righting of a historic

History was made Sunday, when

women were admitted for the first

time to formal competition in exhi-

bition races, and a new quadruple

Sculls event was introduced into

competition named the Oueen

Mother Challenge Cup. The con-tinued righting of a 1921 incident

in the Regatta's history occurred

when Princess Grace of Monaco

was invited to present the prize to

American crews achieved victo-

ry here Sunday, winning three of the four cups in eight-oared com-petitions. Henley's premier event,

Rogers Leading Fiori

By 2 in Western Golf

OAK BROOK, III. - Bill Rog-

ers overcame a three-hour rain de-

lay and fired a 6-under-par 66 Sat-

urday to take a two-shot lead over

Ed Fiori after three rounds of the

Rogers' round, which was one stroke off the Butler National record of 65 set by David Graham and John Lister in 1975, gave him

a 54-hole total of 8-under 208. Fiori fashioned a 69 to stand at

Transactions

HOCKEY

PHILADELPHIA—Traded Rick MacLetis, conter? Blate Wesley, defensemen; Dan Gilfen, right wins; and their first, second and third round the first of the first second and third round the first content and the first content a

for Ray Allison, right wing; Fred Arlitur, de-lensemen, and first and third-round 1981 draft

Bryon Maxwell, delensemen; and Poul Ma-clean, right wine, to the Winnipes Jets for Scott

STLOUIS-Traded Ed Stank

Western Open golf tournament.

United Press Intern

this year's winners.

Historic Firsts and American Excellence at Henley the Grand Challenege Cup, escaped the Yankee invasion when

all four U.S. entries in "C-Grand"

went out in the first round, leaving

Thames tradesmen's crew to defeat

a combined Oxford University

the British National Team, rowing under the colors of the Leander and the Tyrian Clubs, and to keep the cup at home. Oxford staged a bowman, Edward Burke. daring race, coming from a three-quarter-boatlength deficit midway in the 1-5/16-mile-long course to overtake Leander at their milepost. To the cheers of the spectators lining the finish, Oxford drew away from Leander to win by a halfboat length in the time of 7:15. The British National Team had upset Washington on Saturday.

A strong headwind blew down the course throughout the day's finals, causing slow times and long races. The Charles River Rowing Association, the U.S. national training squad, made the most of its 50-pound-per-man weight advantage, rowing into the headwind. Charles River won the Thames Challenge Cup over the British National Lightweight Squad by 24 lengths.

Repeat Winners

Holy Spirit High School of Absecon, N. J. won The Princess Elizabeth Challenge Cup for the third time since 1974, defeating Emmanuel School of England by one and one-third lengths in 7:48.

Yale University, which brought 37 oarsmen to Henley this year to compete in five of the Regatta's 13 events, failed to win any of the competitions. Perhaps Yale's biggest disappointment came in its loss of the Ladies' Challenge Plate. Yale's Junior Varsity Heavyweight Crew has won this event for the last two years. All the Elis' hopes hung on Sunday's Ladies' Plate Fi-nal, with Yale's JV Heavyweights the sole remaining crew in compe-tition. After leading Washington's JV Heavyweights to the threequarter-mile post. Washington be-

the Elis' lead until the Huskies overtook Yale with one sixteenth mile left to go in the race. The spectators were on their feet, cheering Washington as it dipped Yale at the finish, but what was not apparent to the spectators was the ineffectiveness of the Yale

feet at the three-quarter-mile post, the point at which Washington began to move. When Tony Johnson, Yale's coach was asked after the race whether he thought the loss of Burke had affected the outcome of the race, he sportingly said, "No." The loss of Burke clearly made the difference in the race, enabling Washington to achieve its onehalf-boatlength victory.

women to achieve victory at Henfive lengths.

were reversed in the other women's events for coxed fours, as the U.S. team made up of last year's wom-en's Olympic crew defeated Cana-da's Adanac Boat Club in another

122d Queen's Plate The Associated Press

Park and Regal Embrace.

of John B. Kelly from Philadelphia, one of the most renowned singles rowers in the history of the sport. Kelly was also a bricklayer by trade, and in 1921 tradesmen were not admitted and were not considered gentlemen by the siew ards who then ran this Regatta.

the stewards did not accept for competition in the Regatta men who worked with their hands.

ing the prizes.

Princess Grace, with her knowledge of the sport, stirred the crowd when she said, "I know what it means to compete at Henley from both my father and brother. For an oarsman, it is the chance to race among the very

Bjorn Borg receives a consolatory smile and handshake from the Duchess of Kent.

Pennis' Yankee Doodle Dandy

-3y Dave Anderson Yew York Times Service LEDON, England — In they were streaming out enter Court enclosure at ngland Lawn Tennis and Club, most of them glum, iling. The ones who were ere usually Americans.

a way," one of them said, "to celebrate July 4." controversial colonist, zoroe, had won the "gensingles" at Wimbledon ed the iceberg of Bjorn eak of 41 victories here previous championships. July 4 celebration, John did not set off any firehis credit, he trans-imself from the Ugly into a Yankee Doodle almost impeccable manlmost impassive control. a matter of respect for respect for the occa-enroe said later. "You've e it everything to beat

ited to conserve my ener-

e might also have wantperve his bankroll. In the und, he threw a tantrum him a \$1,500 fine. In a uch Tuesday against the rothers from India, he linesman from India of d; that cost him a \$750 his boorish behavior d Frawley in the semivas indicted for a possi-Ine that might include ic 21-day suspension. n Saturday, with anoth-can named Princess

> John McEnroe changed Peck's bad boy nurned awyer. as moments, of course. time and in another ight have exploded. But appeared to play as if on his emotions. Even tterings. To win Wimknew he not only had to ng but he also had to mself. He won both 4-6, 7-6, 7-6, 6-4 over

Monaco peering down

th a blue bonnet in the

aroe's Thoughts

1. 12 Page 18

ne champion and 3-0

:Enroe's most serious ed in the 10th game of a At 15-30 on his serve. ey that the linesman at called in Apparently as now 30-all. But sudjumpire, Bob Jenkins, ite linesman. His curly sprouting from a red McEnroe stared at the > nonsense London ac-; to had quietly handled

two set points on McEnroe's serve. And after a deuce, Borg would have a third set point. "I was thinking." McEnroe said later, "how people say a few bad

calls don't change the match." McEnroe Faces

Possibility of

Ban for a Year New York Times Service
WIMBLEDON, England -John McEnroe faces as much as a one year suspension, and the loss of \$14,750, if a recommended \$10,000 fine levied against him Saturday by the Wimbledon tournament committee is upheld by the Men's International Professional Ten-

nis Council. The recommendation was made for McEnroe's "consistant querying of line decisions, bad language and verbal abuse of the referee, the umpire and the linesman," during a semifi-nal match Thursday against

Rod Frawley of Australia. McEnroe had been fined \$1,500 for his outburst on opening day and \$750 for improper behavior in a doubles match earlier in the week. The committee recomended another fine of \$2,500 for the doubles match, during which McEnroe accused a linesman of being bi-

player who accumulates more than \$5,000 in minor fines is subject to a 21 day suspension. But Saturday's \$10,000 recommendation was cited as a "major offense" in the section un-"aggravated behavior" where the penalty could be as much as a one year suspension. McEnroe has the option of appealing Saturday's recom-

Under Grand Prix rules, any

mendations within 15 days. Since his father, John T. McEnroe Sr., is a New York attorney, the threat of a suspension and large fine could pose the first significant legal test of the council's code of conduct rules. McEnroe, meanwhile, did not attend the annual champions dinner at the Savoy Hotel Saturday night, and All Eng-land Club officials were upset

by his absence. He gave no rea-

son for staying away but his fa-ther said, "He was out celebrat-

ing somewhere else - don't ask The women's champion, Chris Evert Lloyd, said she feared that she might have to make two speeches but added: "Unfortunately I can only make one because I haven't John's vocabulary. But I apoloeize, as an American, for the fact that he is not here."

That bad call, if it was a bad call, might have cost McEnroe the set and perhaps the match. But he served his way out of the crisis. "On the important points when he had to win them," Borg said, "he hit his first serve in."

Voice of the Fans

Holding his serve there, McEnroe went on to win the third set and the tiebreaker. He also had won the second set and a tiebreaker. And when he pounced on Borg's serve in the 10th game of the third set, he suddenly was the Wimbledon champion. He even had acted like a champion. His effort to be exemplary was apparent as early as the first game of the second set. In the first set he had moped around occasionally, but not blatantly, after a few questionable calls. And now, as he was about to serve, a voice could be heard from the stands not far from

"Why don't you call the referee, John," the voice blared. During his scenarios in the opening round and in the semifi-nals, McEnroe had demanded an audience with Fred Hoyles, the Wimbledon referee. Now, as he was about to serve, he appeared to ignore the voice from the stands. But then he served a double fault for deuce. Looking up where the voice had come from, he yelled, "Thank you very much." That was all. Quietly, a murmur of sympa-thy for him seemed to circulate

through the Center Court enclo-But instead of surrendering to

the momentary disruption, McEnroe quickly held his serve. Not long after that, in the fourth game of the second set, McEnroe had a break point at 30-40 on Borg's serve. The bearded Swede lashed a forehand that appeared to be out, but the linesman at the baseline declared it to be in. McEnroe stared at the spot on the brown grass where he thought the ball had hit beyond the baseline, then slowly walked around in a circle. But that was all. When he turned back to await Borg's next

his crouch when the applause be-Applause for his restraint.

serve, he was about to hunch into

A Rare Moment

Quickly, appreciatively, McEnroe stood straight up, both hands raised high, his racquet in his left hand, acknowledging the applause. Some spectators laughed, enjoying the rare moment. Even he smiled. When the match ended, of course, there was more applause for McEnroe, applause for his championship, applause for his be-havior, and applause for his talent

as a tennis player. For all his controversies, remember that McEnroe is one of the truly talented tennis players of any time.

years in the NHL, MacLeish has scored 320 goals and registered 355 assists for 675 total points. He was was the Flyers' second leading scorer last season with 74 points, 11 points behind team-leader Bill Barber.

defenseman, who will be 22 on July 10, played in 50 games for the Flyers last season, scoring three goals and picking up seven assists. Gillen, 20, played in 79 games last season for Maine of the American Hockey League, scoring 30 goals and picking up 29 assists. He was drafted by the Flyers in 1979 as an underage junior.

Allison and Arthur were the Whalers' first-round draft choices in 1979 and 1980, respectively.

run from Nantes to Le Mans. Bernard Hinault of France retained the overall lead as Saturday was a

gan to move on Yale, narrowing

Burke had lost the wheel on his

In the women's exhibitions, Lisa Roy and Janis Mason, the Canadian double scullers, became the first ley. The Canadians defeated the American Geers, rowing as The Dartmouth Rowing Club in a ver-dict of "easily," or by more than

The victorious national titles

TORONTO -- Fiddle Dancer Boy charged from behind to beat Wayover by a nose Saturday in the \$184,025 Queen's Plate. The favorite, Frost King, was third, a half-length behind Wayover in the 122d running of the 14-mile race for Canadian-bred three-year-olds. Fiddle Dancer Boy's time of 2:044-5 was well off the stakes record of 2:02, shared by Victoria

The Hanlan Boat Club of Toronto gave the Canadians their second cup victory as the Lightweight four without coxswain defeated

England's Leander Boat Club to win the Wyfolk Challenge Cup. Chris Baillieu, England's 1980 Olympic silver medalist in the double sculls, racing as a single in the Diamond Challenege Sculls, the most famous of all sculling races, had an easy Henley Regatta, meeting no significant opposition throughout the competion, gaining

his first Diamond's title. Ingelheim and Ulmer Rowing Clubs of West Germany were victorious in the first rowing of the Queen Mother Challenge Cup, with the remaining six cup victories going to British crews.

Princess Grace is the daughter

Kelly won gold medals for the United States in both the single and double sculls events in the 1920 Olympics, and repeated his gold medal in the double scull in the 1924 Olympics. When Kelly put in his entry for the Diamond Sculls Challenge Cup at Henley in 1921, he was turned down because

Kelly's son, Jack Kelly Jr. gained a certain vindication when he twice won the Diamond Sculls here in 1947 and 1949. Jack Jr. was here Sunday, when his sister was representing royalty and present-



John McEnroe in his Wimbledon victory gesture.

Prost Captures French Grand Prix

DIJON, France - Alain Prost of France won the French Formula-1 Grand Prix Sunday with the help of a cloudburst that interrupted the race just when his turbo-

MacLeish Sent To NHL Whalers

charged Renault had problems.

United Press International
HARTFORD, Conn. — The Hartford Whalers have acquired high-scoring center Rick MacLe-ish, defenseman Blake Wesley and right wing Don Gillen from the Philadelphia Flyers. Hartford also will have the Flyers' second-round pick in the 1982 NHL entry draft. In return, the Whalers sent the

and right wing Ray Allison. The two clubs also will exchange draft picks in the first and third rounds of the 1982 entry draft, the Whalers said. MacLeish, 31, who played on the Flyers' Stanley Cup championship teams in 1974 and 1975, scored 38 goals and had 36 assists last season for Philadelphia, In 11

Flyers defenseman Fred Arthur

Wesley, a 6-foot-1, 220-pound

McLaren and 24.22 seconds ahead of the Brabham of Nelson Piquet of Brazil Prost's total time for the 80 laps was 1 hour 35 minutes 48 seconds,

The 26-year-old Frenchman

scored his first victory in 19 Grand

Prix outings, 2.29 seconds ahead of

John Watson of Britain in a

McEnroe holds a distinct edge on Borg in their tie-breakers. "If

his big serve is working in tie-breakers," said Borg, who had won his four previous playoff sets in the tournament, "it's a big advantage."

McEnroe was determined not to

let Borg reach a fifth set. Last year, he had "let him off the hook" in

the second set: close the door and

don't let him back in, McEnroe

told himself, saving two break points from 15-40 in the third

game of the fourth set and skidd-

ing a service winner to the back-

Borg struggled from 15-40 and held to 4-all. But the pressure of

maintaining the streak, and har-

nessing his serve, appeared to take its toll at 4-5. From 30-15, Borg

serve-and-volleyed only to stroke a backhand volley long. McEnroe at-

tacked a second serve and reached

his first match point when Borg netted a two-handed backhand.

break him," Borg said. The 25-

year-old Swede shunned the base-

line for serve-and-volley and saved

his first match point with a deep

backhand first volley that McEn-

roe, under attack, could not coun-

from the tiring comeback with

Connors, could not withstand the

attack. McEnroe moved in on a

second serve pressured Borg's

backhand and won the point with

an overhead. Another second serve

brought the American in for the

But Borg's serve, perhaps dulled

"If I held to 5-all, I felt I could

hand at 15-30 in the fifth game.

ters an hour). The total distance was 188.8 miles (302 kilometers). His Renault teammate and compatriot Rene Arnoux, who had the pole position at the start, placed

and sixth-placed Elio de Angelis of Italy in a Lotus. Both men were a

Drizzle, which began on the 53d of the scheduled 80 laps and which turned into a huge downpour on the 59th lap when the danger flag stopped the race, helped both Re-

Prost and Arnoux had problems with their transmissions and front stabilizers. At that point, Prost was

time to fix the two cars and both were much faster than Piquet during the second heat of 22 laps.

over the decision by race officials Hinault Maintains Lead

LE MANS, France — Rene Mar-

It was the first time in the history of the Formula-1 world cham-

challenged Prost again. After third place in Spain and second here.

> Moffett, the federal mediator, said he had no plans to call another meeting "right away." "There's a philosophical difference," Moffett said after the bargaining session that was held offthe pool arrangement versus direct

talking about apples and oranges."

Australia's Wallabies

BRISBANE, Australia - Ausdrop and two penalties.

Ottowa	a	1	0	21	47	
Montreol	0	7	0		45	
WA	estera					
Brit, Columbia	1	0	0	46	8	
Edmonton	1	0	0	47	21	
Saskatchewan	1	6	0	19	78	
Winnigeo	۵	8	0	08	80	
Colpary	0	0	0	80	80	
Frida	v's Gome	_	_			
Edmonton 47, Ottowo 2	n					
Saturd	ov's Gouss					
British Columbia 45.64	ontrect &					

revious matches.

A it good, Bob Jengeraly, alluding to the called it out." is 15-40, now Borg had

Putting the Carte Before the Menu

By William Safire

NEW YORK - Any logical person reading menus in the United States would be alarmed at the plight of the onion: Some steak and almost all liver is offered with smothered onions.

That's a cruel way to strangle an onion. But the transformation of the phrase "smothered in onions" to the meaning-less "with

smothered onions" illustrates a mindless pretension in menu writing.

Vegetables on le menu du jour are fresh-frozen (Why fresh-frozen? Because Safire they are not stale-

frozen? No; the vegetable is frozen, not fresh, and "frozen when it was fresh" is just a way to make the nonfresh sound fresh.) Fresh, of course, is the adjective that menu writers reach for when they feel their writing going stale. What, in describing bakery items, does oven-fresh tell us? Did it really come fresh from the oven - or did it come in a truck from the bakery?

Edward Maas, of Lakewood, N.J. — who eats at a local Burger King because he likes the sign that recklessly urges motorists to "Drive Thru Window" — sends along this J.C. Penney menu with munchy modifiers: "Dixie Fried Chicken - tender and juicy, gently coated with a seasoned batter then fried to a crunchy goodness. Served with fluffy whipped pota-toes and garden vegetable." In this munchy-crunchy land, hearty soup is served from steaming tureens, and all sandwiches are oversized (to be eaten in overstuffed chairs). sent out of gourmet kitchens by

chefs in their designer aprons. In a classic study of the style of restaurant menus published in American Speech magazine, Ann and Arnold Zwicky of Ohio State University noted the prevalence of past-participle modifiers: "Among participles naming modes of cooking," they write, "broiled and poached seem to occur most often. Some menu participles — married. kissed and handcrafted, for exam-

lary traditionally associated with cooking, but most are cooking words, often modified — gently simmered, specially flavored, ket-tle-simmered, delicately broiled."

Some modifiers get misplaced. Spring leg of lamb bothers Richard Orioli of Webster, N.Y., who wonders if it augurs "a leg for all seasons"; very few eating places offer leg of spring lamb.

David Ginsberg of Roosevelt Is-land, N.Y., claims he saw a macabre menu advertising "chef's own liver, cooked to perfection."

A few restaurant menus cling to unpretentious old words. In Mel Krupin's in Washington, the chopped steak, as the hash houses call it, is called "hamburger," a word that originated in "Hamburg steak," so called because Netherlands beef was shipped to Germany and France via the port of Hamburg.) At The Four Seasons in New York, Tom Margittai and Paul Kovi serve a "slaw" — not cole slaw, which is Dutch for "cab-bage salad," but just "slaw" — a salad of shredded carrots, zuechini, celery root and cucumbers, as well as cabbage.

Watch out for French, especially phony French, which is supposed to transform plain fare into grande cuisine. Turtle soup au sherry is surely self-mocking. Broiled steak minute is silly; if a French name is desired for a broiled minute stack desired for a broiled minute steak. try steak minute grille, or entrecôte.

"There are many clumsy efforts to be poetic in the naming of dishes," reports George Lang, author of "Lang's Compendium of Culi-nary Nonsense and Trivia." "For example, vol-au-vent, one of the most common pastry shells, is supposed to be so light that during Louis XIV's time, his second wife, Madame de Maintenon (who founded the famed Cordon Bleu school to teach young girls the art of cooking) named the shell 'vol-au-vent' — literally, 'flying in the

Which calls to mind a menu that Monique Pierredon, proprietor of "Le Steak" restaurants, sent along to show how one restaurateur in the Far West adds elegance to his fryers: "Chicken Gordon Blue."

New York Times Service

Philadelphia Theater Drama, Act 3

A Victorian Victory: Opera to Burlesque to Chinese Movies

By Chris Roberts

PHILADELPHIA — In the beginning, Stephen Pang covered up the photos of the na-

But a few years later, the last stripper unzipped her last zipper, and The Trocadero, a tawdry old theater of burlesque, started changing into a Chinese movie

Today, the reincarnation sits on the edge of Chinatown, a re-stored Victorian structure that serves as a sort of cultural cement in pulling this town's 10,000 Orientals together.

The story of Pang's theater began in the United States in 1870, the year the Arch Street Opera House opened. In China, it be-gan in 1941, the Year of the Snake, the year Pang was born in

Rebuilt, Renamed After Fire

The Arch Street Opera House burned down in 1872, but was re-built. In 1903 it turned to burlesque, renamed The Trocadero after a theater in Paris, and soon shortened to "The Troc."

Comedians like Abbott and Costello, Billy "Cheese and Crackers" Hagan, W.C. Fields, Phil Silvers, and Red Buttons played there. Striptease artists like Tempest Storm, Georgia Southern Blaze Starr, Lili St. Cyr danced barefoot on its stage.

Then came television, and later X-rated movies and 25-cent flesh shows. Burlesque was on the ropes, the comics lured away by the electronic media, the pit musicians out of jobs.

Cook in New York

At the end, The Troc was a derelict, falling down and smelling of disinfectant. Hard-porn movies shared the stage with the dancers, mostly moonlighting go-go girls who yawned and took off everything and had names like Takya Vestoff ("The Cossack's Delight"), Ema Nems ("She melts in your arms"), and Carlotta Tendant ("You'll want to park here all night").

On March 31, 1978, The Troc

Pang, meanwhile, had become a cook. He moved to New York City in 1959 and eventually mar-ried a girl from Philadelphia. They moved here. Three daugh-

ters and three sons were born. In the early 1970s Pang, who had opened a Chinese restaurant in nearby Bucks County, got in-terested in The Troc.
"We didn't have a Chinese the-

ater in our community," he re-Troc for a Sunday tryout. We covered up the pictures of all the naked girls and rented some ChiPang eventually paid \$74,000 for the theater. He had modest plans for renovation — some fresh paint (Chinese red), a new front, some new seats. Then he discovered he had bought a land-mark listed in the National Reg-ister of Historic Places. He could fix it up, but he couldn't change

"The historical people, they said it was the only Victorian theater to remain in the United States. I think, 'Oh boy, what

"We had to dig up old docu-



The raunchy old Troc has been transformed.

ments. They wanted it painted the original color. There was a quarter of an inch of paint. It was like chiseling through the rainbow. Then we found it, ivory with gold leaf."

Watchful Eve

Under the watchful eye of the Victorian Society of America and with some tax breaks and promises of grants from state and federal historic agencies, the restora-

Yesterday's splendor popped out as paint was surpped from stained glass windows, huge be veled mirrors and brass banis-ters. The gilded, fat-faced lions that flank the stage boxes got a fresh coat of gold leaf. The restoration was completed

in August of 1979 at a cost of about \$200,000. There was a grand opening with Chinese fan dancers and acrobats.

Last May a Chinese opera company performed at The Trocadero for two days and the Pennsylvania Opera Theater, Pang's first non-Chinese tenant, performs there regularly.

Mostly Movies But mostly, it's the movies, family-oriented films produced in Hong Kong and Singapore and shown as double features in

the afternoons and evenings — \$3.75 for adults, \$1.75 for chil-"In a way," Pang says, "we've become a big sister for many of the families, for the ones in

won't be out on the street." But it is the old people that Pang says have come to love the theater the most.

which the father and the mother both work. They know they can leave the kids here, that they

"For them it's a gorgeous present. Lately, we have a lot of Thai, Cambodian, Vietnamese people come to the city. The old ones, they feel depressed, strange, in a new land, in a new life.

"They live in rooms. They don't understand the TV. But each week, when the movies change, you can always find them at the front of the line."

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LOW COST FLIGHTS

PEOPLE: Picasso Intime': Daughte
Displays Private Collectio mind." he said. The private collection of Pablo Picasso's daughter Maya went on Reagan celebrated the Fourth
July and her birthday with a bi public display for the first time, al-

casso Intime" and showing at Geneva's Musée de l'Athénée until

Sept. 6, comprises 89 canvases, drawings, water colors and bronzes as well as assorted mementos.

Most of them were kept in bank

vaults even before Picasso died in 1973 at the age of 91. Baptized

Maria Conception, Maya is the daughter of Marie-Therèse Wal-

ter, who was 17 when Picasso first

met her at a Paris department store in 1927. It marked the begin-

ning of what the paintings prove to

be a passionate romance between

two beings ... united by love of life and of love, a mad, cruel, im-

mense, marvelous and touching love, the daughter, 45, recalls. Marie-Thérèse figures in 17 works dated between 1927 and 1942. But

there are also works depicting

Maya at various ages, as well as other members of a family which

comprised three women and four children and was "incongruous but

so united," as she told reporters at

the opening. The collection is val-ued at about 80 million Swiss

President Reagan kept a long-standing engagement and helped inaugurate the William E. Simon

chair in political economy at the

Georgetown University Center for

Strategic and International Stud-

ies. The ceremony to honor Simon,

the former treasury secretary, was originally planned for March 31 but the president was shot the day

before. Georgetown endowed the Simon chair with \$2 million pledged by 20 major corporations. The effort was organized by Justin

who belongs to Reagan's inner circle. The president praised Simon for his "unabashed advocacy of

the principles of human freedom'

pointing Simon chairman of the

new American Commission on

Productivity. Simon noted that the

gathering included Alexander M.

Haig Jr., the secretary of state; William J. Casey, director of the

CIA: Donald T. Regan, treasury secretary; Richard V. Allen, na-tional security adviser, and Edwin Meese 3d of the White House

staff: "It seems to me that you

have gathered here tonight in defi-

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ANTIQUES

announced that he was ap-

Dart, the California busines

francs (\$38 million).

becue at a Virginia plantation ! lowing a close look at the father lowed by a Gay Nineties picnic she says was full of tenderness and an "extraordinary lover" of her mother. The exhibition, called "Pithe White House south lawn. Me Reagan will be 58 on Monday. Musician Mstislav Rostropovia 2.7 says his appreciation for America see beauty has grown in the sev, x years since he fled the Soviet L, ion. Rostropovich and his wi, se singer Galina Vishnevskaya. It the Soviet Union in 1974 with the government's blessing after the complained of being deprived their artistic liberty. Since he a rived in the United States in 197 Rostropovich said. "My impressions of America have deepen a and changed. First, I'm absolute convinced that the nature and en vironment of a land has a great it fluence on its people. America 12 are a people of a grand sweep. the same extent as their count is The beauty of this country and .

variety are totally extraordina.

And during the time I have specific

here, with a great deal of pleasu: 7

I have noticed that America values have crystallized feelings of patient towards their country.

A roomful of antique Canadi, a furniture, including a four-post bed, will be Canada's major were ding gift to Prince Charles a 50 ding gift to Prince Charles 2 Lady Diana Spencer. The gift v is supposed to be a secret until clo to the July 29 wedding date word leaked out this week fr Elliott Trudeau. Col. Georges F 2 nier, director of state ceremo who helped choose the gift. not pleased that the secret was before the prime minister co. make the announcement planned on July 16. "I'm terrib annoyed," he said. But a Bucking ham Palace spokeswoman said "Oh, how lovely," when she hears the news. Bernier, who said th palace was or sulted on the choic of gift, had soped the furnitur would be delivered to London be fore the news was announced. Buckingham Palace spokesma said the furniture would go to th Kensington Palace apartmen being readied for the royal coupl in London or to Prince Charles country home in southwester: England. Canada's gifts to Quees Elizabeth II for her wedding p Prince Philip in 1947, when shwas still a princess, included .

mink coat and a silver dinner ser

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